

# Wistron Corporation 2015 Annual Report

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*This English version Annual Report is a summary translation of the Chinese version Wistron Annual Report. This document is created for the sole purpose of the convenience of its readers and is not an official document to represent the financial position of the company per Taiwan laws.*

*Wistron Corporation does not guarantee the accuracy of this translated document. Readers wishing to view the official audited version of Wistron's financial reports can obtain a copy of the Wistron Annual Report (Chinese version) on the Wistron Corporation website ([www.wistron.com](http://www.wistron.com)).*

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# 1. Letter to Shareholders

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Dear Shareholders,

Last year was a tough year for Wistron. While confronting the continuous declining demand in notebook and LCD-TV markets, the overall ICT industry exhibited no significant growth in 2015. However, with the collaborative efforts of our colleagues, vendors, and partners, Wistron's operations gradually stabilized. Although revenue increased around 5%, profit declined significantly compared with the previous year due to slow demand in the notebook market, lower revenue contribution of smart handheld devices, and investment returns in new business lines have not yet materialized.

On behalf of Wistron's management team, I wish to express our sincere apology for the results and truly appreciate all of our shareholders--your continuous support inspires us to pursue progress and further improvement.

### **2015 Financial and Operation Results**

In 2015, Wistron's consolidated revenue reached NT\$623.3 billion and consolidated operating profit was NT\$2.4 billion. The consolidated profit before tax reached NT\$2.4 billion and consolidated net profit was NT\$1.3 billion. Meanwhile, the earnings per share was NT\$0.55.

The revenue increased around 5%, however the profit declined more significantly compared with the previous year. The decreased operating profit was mainly caused by the slow demand in the notebook and LCD-TV markets which resulted in the low utilization rate of manufacturing capacity. In addition, the contribution from smart handheld devices did not fully meet the planned revenue, and the investment returns of some new businesses/product lines did not meet expectations which also impacted profit. The operating expenses slightly decreased; however, we still maintained an appropriate level/ratio for investments in new businesses and new product line developments. These investments will help to accelerate innovation and the adjustment in our business portfolio in order to cope with competition and market changes.

In 2015, Wistron's key growth drivers were server, VoIP, and storage, while the notebook and smartphone demand was weak and other product lines maintained the same level compared with the previous year. From the customer and marketing point of view, the smart terminal device and cloud service (e.g. server and storage) markets continued stable growth compared to the declining demand in the traditional consumer market (e.g. notebook, tablet and LCD-TV). In the meantime, to cope with the unsatisfactory investment returns of some new businesses/product lines, Wistron continued adjusting the business directions, restructuring the organization, adjusting personnel structures, and enhancing the investment return forecasts and measures for countering losses in order to improve the operational performance.

In addition, we continued publishing the "Wistron Corporate Social Responsibility Report" to show our participation and care for the economy, environment, and society through sustainable, innovative, and humanity related activities.

## **2016 Business and Operation Focus**

For 2016, our major operation focuses are :

- (1) enhance the competitiveness of core businesses (including PC, server, and smartphone). Our actions will focus on the adjustment of customer and product portfolios to improve the gross profit rate. We will also emphasize on design simplification, manufacturing automation, inventory management control, and manufacturing capacity optimization to enhance operation efficiency and productivity.
- (2) accelerate the growth and profitability of technology service businesses (including LCM, green recycling, after-sale service, medical services and education technology service). Although Wistron has been investing in these businesses for three to four years, transformation to these new businesses is still slower than our expectation and has different difficulties and challenges. However, as the trends of diverse applications and services are being driven by big data and Internet of Things (IoT), these are the business directions we should move forward toward.

Furthermore, this year we will continue to emphasize on innovation and execution. Regarding innovation, we will endeavor to build an environment beneficial for innovation activities. We encourage our employees to integrate their creativity into company's creative platforms, then use company resources (including finance, human resource, and technical support) to support and sustain their creativity. Regarding execution, the first priority is accountability. We will continue setting goals for R&D and manufacturing expenditures and executing improvement plans in order to achieve profit goals.

For business and product direction, in response to the growing smart terminal device market and the stalled growth in consumer market (e.g. notebook and LCD-TV), Wistron will accelerate the adjustment of our business and customer portfolios. In the meantime, we will continue optimizing the resource utilization and adjusting the organization structure to enhance competitiveness. In addition, we will have strategic investments into other higher value businesses and product portfolios like smart handheld devices, cloud service solutions, network storage, and industrial application devices. These directions should reduce portfolio risk and impact from the stagnant consumer market.

The competition of IT industry is unabated. With the uncertainty of global economic environment, we have to train our organization to be more agile in response to change and to face future challenges with innovation and intelligence. So this year, Wistron emphasizes "Think Great, Act Smart" as the main theme of our core attitude to enhance business performance.

## **Outlook for the Future**

Looking forward, while the Internet of Things (IoT), smart terminal devices, and the cloud service markets continue to grow, the global economy is showing uncertainty for recovery and the traditional IT industry is expected to show slower growth. For company's future development

strategy, while transforming our role into a comprehensive technology service provider (TSP), Wistron will continue to focus on:

- (1) creating value-added products to satisfy the demands of end customers in the value-chain. The demands of end users are determined and predicted so that the concepts of customer demand can be converted into a more accurate technical specification. Through cloud development, the software service platforms can be closely integrated with hardware devices (computers and smart devices) and cloud data systems to provide more convenient and suitable products and services.
- (2) strengthening investment strategies and vertically integrated products to obtain a leading status in the industry, thereby acquiring a stronger growth dynamic. In response to the rapidly changing Internet era in which consumer habits have deviated from those in the past, the six sigma approach was deeply rooted into Wistron to redefine the overall process of data collection, analysis, and application. By using big data we provide manufacturing and R&D teams more real-time, effective, and forward-looking information, make better investment decisions, rapidly adjust our operational direction, and reduce the investment risk associated with outdated equipment, processes, or technologies.

Wistron's major "corporate beliefs" are customer focus, integrity, innovation, and pursuit of excellence. In the meantime, with the corporate philosophy including "altruism" and the "modest" attitude toward life, we will continually take concrete actions to pursue corporate sustainability and social responsibility. Corporate social responsibility is a business' commitment to becoming a sustainable business organization. Based on the philosophy of altruism, the company's business philosophy, strategies, organizational planning, and talent development/cultivation should all consider the concept of sustainability. Only with such consideration can reasonable profits be generated and used as the foundation for sustainable management.

Wistron's vision is to be a global leading technology service company providing innovative ICT products, services, and systems. We will continue to focus on creating the leading technology services which can provide high quality and innovative ICT products and service platforms that truly benefit our customers. We believe this strategy will build long-term value for our shareholders. On behalf of all Wistron employees, I wish to thank all our shareholders for their support and confidence.

Simon Lin

Chairman and CEO





## **2. Company Introduction**

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## **2.1 Quick facts**

- Wistron Corporation was formally established on May 30, 2001.
- Company is a TSP (technology service provider) and categorized as a major Information and Communication Technology (ICT) ODM.
- Product development focus is on ICT products, including Notebook, Tablet and Desktop systems, Servers and Storage systems, IA (information appliances), Networking, Communication products, LCD TV, Monitor, Application PC, Rugged mobile computer, Smart phone and Handheld Devices.
- Provides wide range of Design, Manufacturing and After-sales service support functions for ICT products.
- Among top 20 manufacturing companies in Taiwan .(based on revenue)
- Customer base mostly comprised of global, branded IT companies.
- Headquarters in Taiwan with multiple country operating sites, including Asia, North America and Europe.
- Over 60,000 personnel as of December 31, 2015.
- Publicly listed company on the Taiwan Stock Exchange. (Stock symbol 3231.tw or 3231.tt)

## **2.2 Business Summary**

With headquarters in Taipei, Taiwan, Wistron Corporation is a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing, after-sales services and e-waste recycling. Wistron provides customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support, and quality product development and after-sales services. The product portfolio covers a wide range of technology products including notebook personal computers (“PCs”), tablets, mobile communication products, server and storage systems, desktop PCs, LCD TV, and other consumer electronics. Wistron is one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of desktop, server and storage systems and handheld devices.

As a leading ODM manufacturer, Wistron sells products to prominent vendors who distribute these products under their own brands. Wistron views customers as partners and typically work closely with them to develop existing and new products. Wistron manages operations through strategic business groups organized by major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products, and

services. Wistron believes this “end-to-end” approach allows better focus on customer and profit-oriented R&D, cost management, production efficiency, and individual customer needs, which enhances long-term business performance and customer loyalty. Wistron manages other aspects of business operations, such as company-wide strategy planning, finance, investment, human resources, information systems, and legal compliance on a centralized basis to take advantage of economies of scale and other synergies.

Wistron employs over 58,000 personnel worldwide, strategically located in Asia, America and Europe in various design, manufacturing, R&D, e-waste recycling and after-sales services centers. Manufacturing facilities are located in China, Taiwan, Malaysia, Mexico and Czech Republic. Wistron maintains logistics facilities--comprising more than 60 logistics hubs worldwide--close to the facilities of customers in the United States, Europe and Asia. For e-waste recycling, the operations are located in United States and China. The after-sales service partner network spans three continents in countries such as the United States, Brazil, Colombia, Mexico, Czech Republic, Turkey, Singapore, India, Malaysia, China, Taiwan, Japan, and the Philippines.

The network of manufacturing facilities, customer services centers and logistics facilities provides Wistron with a global presence, which allows customers worldwide to work closely with Wistron from the design and development stages to the manufacturing, distribution and after-sales services stages.

### **2.3 Public listing**

On August 19 2003, Wistron Corporation’s shares were listed on the Taiwan Stock Exchange.

## 2.4 Milestones

- |      |      |   |
|------|------|---|
| May  | 2001 | ▪ Wistron Corporation was founded with paid-in capital of NT\$10 million.   |
| Aug. | 2001 | ▪ Increased capital to NT\$1 billion.   |
| Nov. | 2001 | ▪ The Kunshan (China) site was registered.  |
| Dec. | 2001 | ▪ The Industrial park plant was registered.   |
| Feb. | 2002 | ▪ Split from Acer Incorporated.   |
| Apr. | 2002 | ▪ Injected capital to NT\$5 billion to inherit from Acer Incorporated. all the assets, liabilities, related rights and obligations, as well as legal ownership (including ownership of plants in Hsinchu, Zhongshan, Subic Bay in Philippines, Mexico and Hungary).<br>▪ Issued 72 million units of employee stock options.   |
| Jun. | 2002 | ▪ Entered into strategic alliance agreement with Taipei Customs Bureau and established strategic partnership.   |
| Jul. | 2002 | ▪ Raised funds of NT\$6.75 billion by issuing 300 million stock shares at a premium price of NT\$22.5 by means of cash injection. The paid-in capital amounted to NT\$8 billion.<br>▪ The Kunshan (China) site passed the ISO 9001:2000 certification.  |
| Dec. | 2002 | ▪ Acer Incorporated completed its stock release, lowering its stock share in Wistron Corporation from 79% to 49%.<br>▪ Two notebook models J1 and AJ received the “Certificate of Good Design” award by the Industrial Development Bureau.<br>▪ Two notebook models J1 and AJ received “Certificate of Excellence” as part of the National Product Image Awards from the Ministry of Economic Affairs.<br>▪ Established the Corporate Operation Headquarters in Taiwan with the approval of the Ministry of Economic Affairs. |
| Feb. | 2003 | ▪ The Zhongshan (China) site passed the ISO 9001:2000 certification.  |
| Mar. | 2003 | ▪ Received NT\$99,620,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,099,620,000.  |
| Apr. | 2003 | ▪ The Zhongshan (China) site passed the TL 9000 R3.0 certification.<br>▪ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the SONY OEM Green Partner certification.   |
| May  | 2003 | ▪ Established the Innovative R&D Center in Taiwan with the approval of the Ministry of Economic Affairs.  |
| Aug. | 2003 | ▪ Received NT\$18,350,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,117,970,000.<br>▪ Wistron Corporation was officially and publicly listed on the Taiwan Stock Exchange. Wistron Corporation is the first high-technology company publicly listed using new procedures after the enactment of the Taiwan Company Merger Law.<br>▪ The Kunshan (China) site passed the ISO 14001:1996 certification.   |
| Oct. | 2003 | ▪ J2 and B2i notebooks, K3D multimedia notebook, W3D Desknote, SP200 smart PDA and Kuofer mini/portable speaker received the “Certificate of Good Design” award by the Industrial Development Bureau.   |

- Nov. 2003 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the OHSAS 18001:1999 certification.
- Increased NT\$558,381,000 through capitalization of profits and received NT\$32,900,000 through converting employee stock options to common shares. The paid-in capital amounted to NT\$8,709,251,000.
- Dec. 2003 ■ Established Wistron InfoComm Technology (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jan. 2004 ■ The Kunshan (China) site passed the OHSAS 18001:1999 certification.
- Feb. 2004 ■ Issued US\$120 million aggregate principal amount of Zero Coupon Convertible Notes Due 2009.
- Established Win Precision (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Apr. 2004 ■ Received NT\$114,740,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,823,991,000.
- May 2004 ■ Wistron ranked (in revenue) 17th among Taiwan manufacturing companies in 2003 (source: Common Wealth magazine and Business Weekly magazine).
- Established Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jun. 2004 ■ The Zhongshan (China) site passed the ISO 14001:1996 certification and the OHSAS 18001:1999 certification.
- Jul. 2004 ■ The Kunshan (China) site passed the ISO 9001:2000/TL9000 R3.0 certification.
- Aug. 2004 ■ Established Wistron Service (Kunshan) Corp. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2004 ■ Increased NT\$585,699,550 through capitalization of profits and received NT\$80,220,000 converting employee stock options to common shares. The paid-in capital amounted to NT\$9,489,910,550.
- Nov. 2004 ■ Win Precision (Kunshan) Co., Ltd. changed its name to Wis Precision (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jan. 2005 ■ Received NT\$3,230,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,493,140,550.
- Apr. 2005 ■ Wistron ranked (revenue) 16th among Taiwan manufacturing companies in 2004 (source: the Common Wealth magazine and the Business Weekly magazine).
- Wistron ranked (revenue) 31st among all Taiwan companies in 2004(source: China Credit Information Service).
- Received NT\$14,270,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,507,410,550.
- Jun. 2005 ■ Received NT\$76,500,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,583,910,550.
- Sep. 2005 ■ Issued NT\$2.5 billion of Depositary Receipts, of which NT\$1.5 billion were deposited by Wistron and NT\$1.0 billion deposited by Acer.

- Oct. 2005 ■ Issued and delivered Common Shares to the converting holders of ECB for NT\$217,928,720, and issued common shares of GDR offering for NT\$1,500 million, and converted employee stock options to common shares for NT\$11,405,689,270. The paid-in capital amounted to NT\$11.4 billion.
- Established Wistron Service (Shanghai) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Dec. 2005 ■ The Philippines site passed the TL 9000 R3.0 certification.
- Jan. 2006 ■ Issued and delivered Common Shares to the converting holders of ECB for NT\$333,703,130, and converted employee stock options to common shares for NT\$43,350,000. The paid-in capital amounted to NT\$11,782,742,400.
- Apr. 2006 ■ Issued and delivered Common Shares to the converting holders of ECB for NT\$170,238,960, and converted employee stock options to common shares for NT\$10,640,000. The paid-in capital amounted to NT\$11,963,621,360.
- The Kunshan (China) site passed the ISO 14001:2004 certification.
- May 2006 ■ Wistron ranked (revenue) 14th among Taiwan manufacturing companies in 2005 (source: Business Weekly magazine).
- Wistron ranked (revenue) 17th among Taiwan manufacturing companies in 2005 (source: Common Wealth magazine).
- The Zhongshan (China) site, the Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO 14001:2004 certification.
- Jun. 2006 ■ Wistron ranked 18th among Global Information Technology companies in 2006 (source: BusinessWeek magazine).
- Wistron ranked 7th among Taiwan Information Technology companies in 2006 (source: BusinessNext magazine in cooperation with BusinessWeek magazine).
- Aug. 2006 ■ Increased NT\$759,947,000 through capitalization of profits. The paid-in capital amounted to NT\$12,723,568,360.
- Sep. 2006 ■ The Kunshan (China) site passed the IECQ QC 080000:2005 certification.
- Jan. 2007 ■ The Zhongshan (China) site passed the IECQ QC 080000:2005 certification.
- The Czech Republic site was registered.
- Mar. 2007 ■ The Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the IECQ QC 080000:2005 certification.
- Wistron recognized as one of the Best Overall for Corporate Governance in Taiwan. (source: AsiaMoney).
- May 2007 ■ Wistron ranked (revenue) 16th among Taiwan manufacturing companies in 2006 (source: Common Wealth magazine).
- Jul. 2007 ■ Wistron ranked 28th among Global Information Technology companies in 2007 (source: BusinessWeek magazine).
- Wistron ranked 28th among Taiwan Information Technology companies in 2007 (source: BusinessNext magazine in cooperation with BusinessWeek magazine).
- Acquired Wistron Optronics (Shanghai) Corporation and Wistron optronics (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.

- Aug. 2007 ■ Increased NT\$1,095,692,340 through capitalization of profits. The paid-in capital amounted to NT\$13,819,260,700.
- Established Zhongshan Deyi Electrical Equipment Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2007 ■ Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine).
- The Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the TL 9000 R4.0 certification.
- Feb. 2008 ■ The Czech site passed the ISO 9001:2000 certification.
- Mar. 2008 ■ Wistron ranked in Top 100 highest growth Asian companies in 2007. (Asia: #63; Taiwan: #8; computer industry: #5) (source: Toyo Keizai magazine (Japan)) .
- Apr. 2008 ■ Acquired Changshu Pu Yuan Electronics Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- May 2008 ■ Wistron ranked (revenue) 14th among Taiwan manufacturing companies in 2007 (source: Common Wealth magazine).
- Wistron ranked 40th among Global Information Technology companies. (source: Business Week magazine).
- Wistron ranked 11th among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine).
- Established SMS (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Established Wistron Optronics (Shanghai) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jul. 2008 ■ Increased NT\$240,000,000 cash offering common shares through private placement. The paid-in capital amounted to NT\$14,059,260,700.
- Aug. 2008 ■ Established Wistron InfoComm Technology (Zhongshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2008 ■ Increased NT\$1,107,106,390 through capitalization of profits. The paid-in capital amounted to NT\$15,166,367,090.
- Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine).
- Dec. 2008 ■ Acquired Hsieh-Yuh Electronics Technology (Zhong Shan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Feb. 2009 ■ The Czech Republic site passed the OHSAS 18001:2007 certification.
- May 2009 ■ Wistron ranked (revenue) 7th among Taiwan manufacturing companies in 2008 (source: Common Wealth magazine).
- Jun. 2009 ■ Raised funds of US\$223.5 million by issuing 15 million units Depository Receipts at a price of US\$14.9 per unit. The paid-in capital amounted to NT\$16,666,367,090.
- Wistron ranked 8th among Global Information Technology companies. (source: Business Week magazine).
- Wistron ranked 1st among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine).

- Aug. 2009 ■ Increased NT\$1,839,791,170 through capitalization of profits. The paid-in capital amounted to NT\$18,506,158,260.
- The Czech Republic site passed the ISO 14001:2004 certification .
  - The Juarez (Mexico) site passed the OHSAS 18001:2007 certification.
- Sep. 2009 ■ The Zhongshan (China) site passed the ISO 9001:2008 certification.
- Oct. 2009 ■ Established Wistron InfoComm (Taizhou) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine).
- Nov. 2009 ■ Established WIS Precision (Taizhou) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Dec. 2009 ■ Established WIT Technology (Taizhou) Co., Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- The Zhongshan (China) site passed the TL 9000 R5.0 certification.
- Feb. 2010 ■ Received NT\$136,530,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,642,688,260.
- Mar. 2010 ■ Wistron recognized as one of the "CSR Best 65 Companies" in Taiwan. (source: Global Views Monthly).
- Apr. 2010 ■ Received NT\$55,250,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,697,938,260.
- May 2010 ■ Wistron recognized as part of Forbes' "Global 2000" and a "Global High Performer". (source: Forbes Asia magazine).
- Wistron ranked (revenue) 6th among Taiwan manufacturing companies in 2009 (source: Common Wealth magazine).
  - Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO13485:2003 certification.
  - Received NT\$4,760,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,702,698,260.
- Jun. 2010 ■ Wistron ranked 6<sup>th</sup> among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine).
- Jul. 2010 ■ Acquired Hartec Technology (Kunshan) Co., Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- Established Wistron Advanced Materials (Kunshan) Co. Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
  - Wistron ranked 10<sup>th</sup> among Top Large Enterprises of Taiwan's Best Corporate Citizens in 2010 (source: CommonWealth magazine).
- Aug. 2010 ■ Increased NT\$935,134,920 through capitalization of profits. The paid-in capital amounted to NT\$19,637,833,180.
- Sep. 2010 ■ Received NT\$3,500,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$19,641,333,180.
- Established BriVision Optronics (Zhongshan) Corp. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Oct. 2010 ■ Established "Wistron Foundation".



- Acquired Zhongshan Global Lighting Technology Limited Co. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Nov. 2010
  - Received NT\$8,740,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$19,650,073,180.
  - Established Information SuperGrid Technology Beijing Inc. with the approval of the Investment Commission, Ministry of Economic Affairs.
  - Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the TL 9000 R5.0 / ISO 9001:2008 certification.
  - The Juarez (Mexico) site passed the ISO 9001:2008 certification.
- Dec. 2010
  - Acquired Zhongshan Huamao Trading Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Feb. 2011
  - Established the Neihu Headquarters in Taiwan.
- Mar. 2011
  - Established Wistron Holding (Sichuan) Co., Ltd. and Wistron InfoComm (Chengdu) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
  - Received NT\$205,720,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$19,855,793,180.
- Apr. 2011
  - Wistron recognized as one of Forbes Global 2000 companies .
- May 2011
  - Wistron ranked 6th among Taiwan manufacturing companies.(source: Common Wealth magazine).
  - Received NT\$5,730,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$19,861,523,180.
  - Investment on New build WISTRON TECHNOLOGY (MALAYSIA) SDN.BHD.
- Jun. 2011
  - Wistron recognized by BusinessNext magazine as one of “Asia/Taiwan Info Tech 100”companies.
  - Established Wistron InfoComm (CHONGQING) Co.Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jul. 2011
  - Wistron recognized as one of Fortune Global 500 companies .
- Aug. 2011
  - Wistron ranked 8<sup>th</sup> among Top Large Enterprises of Taiwan’s Best Corporate Citizens (source: CommonWealth magazine).
- Sep. 2011
  - Established Wistron Win Technology Service (Beijing) Limited with the approval of the Investment Commission, Ministry of Economic Affairs.
  - Increased NT\$984,339,160 through capitalization of profits, and Received NT\$2,950,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$20,848,812,340.
  - The Zhongshan (Optical Campus) site passed the ISO 9001:2008 certification.
- Oct. 2011
  - The Chongqing site passed the ISO 9001:2008 / ISO 14001:2004 certification.
  - The Juarez (Mexico) site passed the ISO 14001:2004 certification.
- Nov. 2011
  - Wistron won a TWSE’s award of ”Outstanding Disclosure Award for Listed Companies’ Corporate Sustainability and Social Responsibility Reports”. (TWSE: Taiwan Stock Exchange Corporation).
  - The Zhongshan (Optical Campus) site passed the ISO 14001:2004 / OHSAS18001:2007certification.

- Dec. 2011 ■ Wistron recognized by Ministry of Economic Affairs as one of “Taiwan’s 100 Most Innovative Companies of 2011”.
- Jan. 2012 ■ Investment on New build Service Management Solutions Colombia S.A.S..
- Jan. 2012 ■ Received NT\$1,160,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$20,849,972,340.
- Apr. 2012 ■ Wistron recognized as one of Forbes Global 2000 companies.
- Apr. 2012 ■ Issued and delivered common shares to the converting holders of ECB for NT\$2,430,580, and converted employee stock options to common shares for NT\$79,330,000. The paid-in capital amounted to NT\$20,931,732,920.
- May 2012 ■ The Juarez (Mexico) site passed the TL9000 R5.0 certification.
- May 2012 ■ Wistron ranked 6th among Taiwan manufacturing companies .(source: Common Wealth magazine).
- May 2012 ■ Received NT\$8,420,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$20,940,152,920.
- May 2012 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO 14001:2004 / OHSAS 18001:2007 re-certification.
- Jun. 2012 ■ Wistron recognized by BusinessNext magazine as one of “Asia/Taiwan Info Tech 100”companies.
- Jul. 2012 ■ The Chengdu site passed the ISO9001:2008 / 14001:2004 certification.
- Jul. 2012 ■ Wistron recognized as one of Fortune Global 500 companies .
- Jul. 2012 ■ established Wistron InfoComm (Qingdao) Co.,Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- Aug. 2012 ■ Wistron ranked 17th among Top Large Enterprises of Taiwan’s Best Corporate Citizens (source: CommonWealth magazine).
- Aug. 2012 ■ Increased NT\$1,039,278,650 through capitalization of profits. The paid-in capital amounted to NT\$21,979,431,570.
- Aug. 2012 ■ The Kunshan site passed the OHSAS 18001:2007 re-certification.
- Oct. 2012 ■ The Chongqing site passed the OHSAS18001:2007 certification.
- Nov. 2012 ■ The Juarez (Mexico) site passed the OHSAS18001:2007 certification.
- Nov. 2012 ■ The Taizhou site passed the ISO9001:2008 certification.
- Nov. 2012 ■ The Kunshan site and Taipei R&D team passed the ISO16949:2009 certification.
- Feb. 2013 ■ The Taizhou site passed the ISO14001:2004 certification.
- Mar. 2013 ■ Established ANWITH ( KunShan) CO.,LTD with the approval of the Investment Commission, Ministry of Economic Affairs.
- Apr. 2013 ■ Received NT\$260,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$21,979,691,570.
- Apr. 2013 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO 50001:2011 certification.
- Apr. 2013 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
- Apr. 2013 ■ The Zhongshan site acquired the ISO 14064-1:2006 greenhouse gas verification statement.

- The Kunshan site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
  - Wistron recognized as one of Forbes Global 2000 companies.
- May 2013 ■ Wistron ranked 7th among Taiwan manufacturing companies .(source: Common Wealth magazine).
- Jun. 2013 ■ The Juarez (Mexico) site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
- The Czech Republic site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
- Jul. 2013 ■ The Kunshan site passed the IECQ QC 080000:2012 certification.
- Wistron recognized by the Ministry of Economic Affairs as one of the winners of “Award for International Trade in 2013”.
- Aug. 2013 ■ The Chengdu site passed the OHSAS 18001:2007 certification.
- Wistron ranked 17th among Top Large Enterprises of Taiwan’s Best Corporate Citizens (source: CommonWealth magazine).
  - Established Wistron InfoComm Technology Service (Kunshan) Co., Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
  - Increased NT\$1,326,291,250 through capitalization of profits, and capital reduction via buyback treasury stocks nullification for NT\$154,580,000. The paid-in capital amounted to NT\$23,151,402,820.
- Sep. 2013 ■ The Zhongshan site passed the IECQ QC 080000:2012 certification.
- Issued of restricted stocks award to key employees for NT\$627,950,000. The paid-in capital amounted to NT\$23,779,352,820.
- Nov. 2013 ■ Received NT\$2,250,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$23,781,602,820.
- Jan. 2014 ■ The Taizhou site passed the IECQ QC 080000:2012 certification.
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the GMP certification.
  - The Kunshan Optronics site passed the IECQ QC 080000:2012 certification.
- Feb. 2014 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the IECQ QC 080000:2012 certification.
- The Texas site passed the ISO9001:2008 certification.
  - The Texas site passed the ISO14001:2004 certification
- Mar. 2014 ■ The Zhongshan site passed the TL9000-H R5.0/R5.0/ ISO 9001:2008 re-certification.
- The Czech site passed the ISO9001:2008 re-certification.
  - The Czech site passed the ISO14001:2004 re-certification.
  - The Czech site passed the OHSAS18001:2007 re-certification.
  - The Texas site passed the OHSAS18001:2007 certification.
- Apr. 2014 ■ Wistron recognized as one of Forbes Global 2000 companies.
- May 2014 ■ Wistron ranked 7th among Taiwan manufacturing companies (source: CommonWealth magazine).

- Jun. 2014 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
- The Zhongshan/Kunshan/Chengdu/Chongqing/Czech/Mexico sites acquired the ISO 14064-1:2006 greenhouse gas verification statements.
- Jul. 2014 ■ The Taizhou site passed the ISO14001:2004 certification.
- Aug. 2014 ■ Wistron ranked 25th among Top Large Enterprises of Taiwan's Best Corporate Citizens (source: CommonWealth magazine).
- Increased NT\$ 725,711,330 through capitalization of profits, and Received NT\$ 60,000 through converting stock options to stock shares, and capital reduction via restricted stocks award to key employees nullification for NT\$ 31,380,000. The paid-in capital amounted to NT\$ 24,475,994,150.
- The Kunshan site passed the ISO9001:2008 re-certification.
- Sep. 2014 ■ The Chongqing site passed the IECQ QC 080000:2012 certification.
- Oct. 2014 ■ Wistron was highlighted the TOP 20 Asian companies in 2014 Channel News Asia Sustainability Ranking.
- The Zhongshan site passed the TL9000-H R5.5/R5.0/ ISO 9001:2008 re-certification.
- Nov. 2014 ■ Received NT\$ 206,680,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$ 24,682,674,150.
- Jan. 2015 ■ The Texas site passed the TL9000-V R5.5/R5.0/ ISO 9001:2008 certification.
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the TL9000-H R5.5/R5.0/ ISO9001:2008 upgrade certification.
- The Philippines site passed the ISO9001:2008 re-certification.
- Mar. 2015 ■ The Kunshan site passed the ISO/TS16949:2009 re-certification.
- The Taizhou site passed the ISO/TS16949:2009 certification.
- Apr. 2015 ■ Established Weshtek Information Technology Services Co., Ltd., Shanghai with the approval of the Investment Commission, Ministry of Economic Affairs.
- Wistron recognized as one of Forbes Global 2000 companies.
- May 2015 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO14001:2004 re-certification.
- The Mexico site passed the ISO9001:2008 re-certification.
- Wistron ranked 8th among Taiwan manufacturing companies (source: CommonWealth magazine).
- Jun. 2015 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site acquired the ISO14064-1:2006 greenhouse gas verification statement.
- The Zhongshan/ Kunshan/ Chengdu/ Chongqing/ Czech/ Mexico sites acquired the ISO14064-1:2006 greenhouse gas verification statements.
- Jul. 2015 ■ The Chengdu site passed the ISO9001:2008 re-certification.
- The Chengdu site passed the ISO14001:2004 re-certification.
- The Mexico site passed the TL9000-H R5.5/R5.0 upgrade certification.
- The Mexico site passed the IECQ QC080000:2012 certification.
- Aug. 2015 ■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO13485:2003 extension certification.
- The Kunshan site passed the IECQ QC080000:2012 re-certification.

- Increased NT\$ 1,071,160,130 through capitalization of profits, and capital reduction via restricted stocks award to key employees nullification for NT\$ 199,010,000. The paid-in capital amounted to NT\$ 25,554,824,280.
- Wistron ranked 27th among Top Large Enterprises of Taiwan's Best Corporate Citizens (source: Commonwealth magazine).
- Oct. 2015
  - The Kunshan site passed the ISO14001:2004 re-certification.
  - The Chongqing site passed the OHSAS18001:2007 re-certification.
  - The Zhongshan site passed the IECQ QC080000:2012 re-certification.
  - The Zhongshan site passed the ISO14001:2004 re-certification.
  - The Zhongshan site passed the OHSAS18001:2007 re-certification.
  - Wistron ranked 24th in 2015 Channel News Asia Sustainability Ranking.
- Nov. 2015
  - Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the OHSAS18001:2007 re-certification.
  - The Mexico site passed the OHSAS18001:2007 certification.
- Dec. 2015
  - The Kunshan site passed the OHSAS18001:2007 re-certification.
  - The Zhongshan site passed the TL 9000-H R5.5/R5.0 / ISO 9001:2008 upgrade certification.
- Jan. 2016
  - The Zhongshan site passed the ISO13485:2003 certification.

## **2.5 Organization Structure**

### **2.5.1 Business Organization**

Wistron organizes operations into five strategic business groups in order to better allocate resources and further enhance production efficiency and overall business performance. Business operations are segmented into the following five major business groups, with each of them focusing on a clearly delineated product, customer and service portfolio:

***Computing Products Business Group (“CPBG”)***— CPBG focuses on producing personal computing products, industrial PC and display products.

***Enterprise Business Group (“EBG”)*** — EBG focuses on producing server and storage systems, fiber channel storage arrays, Telecom, accessories and management software and other enterprise applications such as business automation, IP telephony application and storage applications.

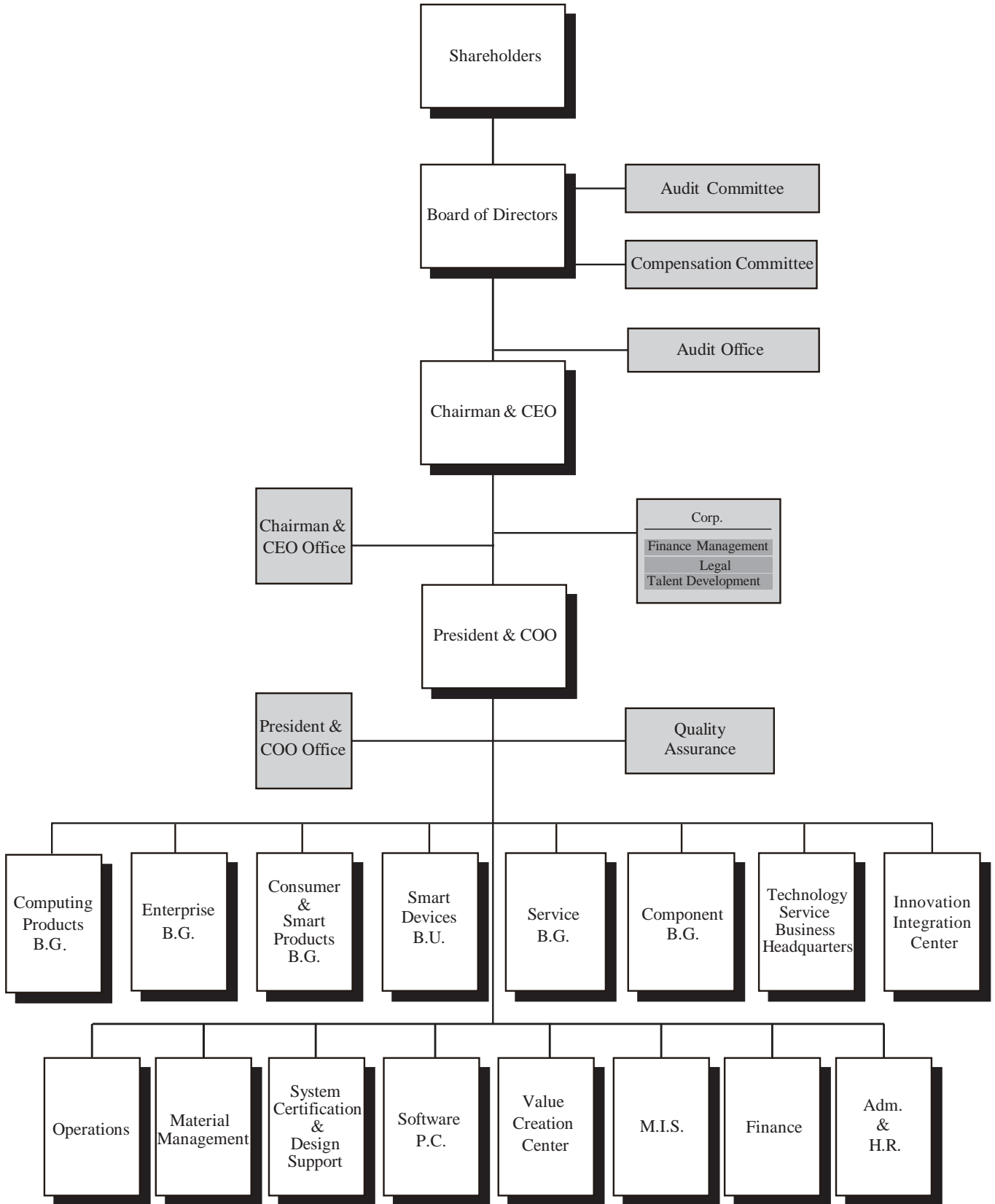
***Consumer and Smart Products Business Group (“CSBG”)*** — CSBG focuses on producing smart device products (Connected home IoT, Smart Phone, mobile terminals) and connected audio products.

***Services Business Group (“SBG”)*** —SBG focuses on providing after-sales services including product replacement, repair and support and product support solutions, both for products we manufacture and for products produced by other manufacturers.

***Component Business Group (“CBG”)*** —CBG focuses on producing optical component products. And the collection, dismantling, refining...recycling related business for electronic wastes.

Each strategic business group has been allocated its own focused group of products and customers, as well as dedicated personnel and manufacturing/service facilities, and accounts for its own profits and losses. Each group has end-to-end responsibilities for its own customers, products, and services which include business origination, marketing, account planning, R&D, product design and development, component sourcing, mass production, delivery and logistics support, customer services, billings, collection of receivables, realization of profits, and financial reporting. This result-oriented scheme aims at instilling each business group with a sense of ownership to track its business performance, delineating clearly the responsibilities among the business groups and creating clear strategic focus for each business group in terms of product offerings and customer services.

**2.5.2 Organization Chart**



**2.5.3 Department functions**

Department	Main responsibilities
<b>Audit office</b>	<ol style="list-style-type: none"> <li>1. Assist management to ensure that the internal audit system is effectively designed and well implemented to improve the operation and to enhance the value of the organization.</li> <li>2. Assist managers to evaluate and improve the procedure of risk management, internal control, and corporate governance through systematic and effective procedures to achieve organization's goals.</li> <li>3. Assist the Audit Committee to supervise the implementation of internal control system and corporate governance.</li> </ol>
<b>Chairman &amp; CEO Office</b>	Assists the Chairman & CEO to evaluate and analyze external investment and business performance for the Company and its subsidiaries to achieve corporate goals.
<b>Finance Management</b>	Treasury, financial management, and investment.
<b>Legal</b>	Corporate legal affairs, contracts, and business-related legal consultative services.
<b>Talent Development</b>	Strategic talent development and management for global human resources.
<b>President &amp; COO Office</b>	Assist the President & COO to evaluate and analyze the Company's business performance and propose solutions to achieve corporate goals.
<b>Quality Assurance</b>	Quality assurance and improvement actions.
<b>Computing Products Business Group</b>	Product management, development and manufacturing for personal computer, industrial PC and display products.
<b>Enterprise Business Group</b>	Product management, development, and manufacturing for server and storage products.
<b>Consumer and Smart Products Business Group</b>	Product management, development and manufacturing for smart products (Connected home IoT, Smart Phone, mobile terminals) and connected audio products.
<b>Smart Devices Business Unit</b>	Product management, development and manufacturing for smart device products.
<b>Service Business Group</b>	Customer service and technical support .
<b>Component Business Group</b>	Product Management, development and manufacturing for optical component products. The collection, dismantling, refining... recycling related business for electronic wastes.
<b>Technology Service Business Headquarters</b>	Responsible for the integration of technology and product development to provide value-added platform for customers.



Department	Main responsibilities
<b>Innovation Integration Center</b>	By integrating technology and product development capability to provide prototyping, production & marketing service to startups customers.
<b>Operations</b>	Global production, manufacturing capacity allocation, and efficiency enhancement among factories .
<b>Material Management</b>	Global material planning, purchasing, logistic support, and supplier quality management.
<b>System Certification &amp; Design Support</b>	System certification & design supporting.
<b>Software Product Center</b>	Development of system application software.
<b>Value Creation Center</b>	Development of high value-add, innovative products and technologies.
<b>M.I.S.</b>	Information system development and design.
<b>Finance</b>	Finance, accounting service, tax service, and providing reports to profit units.
<b>Administration and H.R.</b>	Human resource, employee communication, employee training and general affairs.

## **2.6 Products**

### **Current Main Products and Services:**

- (1) Notebook computers and Tablet computers
- (2) Smart phones and handheld devices
- (3) Desktop computers and All-in-One (AIO) computers
- (4) TVs, Monitors
- (5) Voice over Internet Protocol (VoIP) phones
- (6) Servers and network storage facilities
- (7) Industrial application devices (IPC and Rugged devices)
- (8) After-sales services
- (9) Green recycling services
- (10) Display applications on backlight, LCM, Touch screen and Lamination services
- (11) Educational technology services

## **2.7 Services**

### **2.7.1 Design**

Wistron provides comprehensive, in-depth, integrated design services, utilizing extensive product development experience, equipment, and quality processes. Wistron addresses all related engineering challenges, such as material/styling considerations, component selection, functionality, testing challenges, volume manufacturing stress, packaging, and environmental impact. Wistron's teams provide a range of services, including comprehensive thermal, power, structural and reliability engineering services, specifically tailored for ICT products. Extensively equipped simulation and compatibility test teams and labs utilize a vast array of equipment and technology to allow for market specific and global accreditation approvals.

### **2.7.2 Manufacturing**

Wistron's manufacturing experience ensures the quality of the overall production processes and systems. From in-coming components to OOB (out-of-box) QA, a full suite of tests and analysis are conducted with industry-leading testing including Wistron propriety equipment and processes. Manufacturing facilities offer a complete set of services from PCB to systems assembly, including BTO/CTO. Manufacturing IT systems support the manufacturing process and quality management reporting, while suppliers' portals feature all procurement-related activities to ensure supplier performance management. To facilitate data collaboration, Wistron supports any-to-any B2B exchange with customers.

### **2.7.3 After-sales service**

Wistron offers a variety of flexible, customized service business models. Programs such as hub-to-hub FRU (field replaceable unit) swap, hub-to-ASP, and CRU (customer replaceable unit) complement depot options and other related programs. After-sales service teams support products produced by Wistron or other companies. Wistron possesses extensive experience working with customers' own service/repair teams, as well as their outsourced service partners. Highly integrated IT platforms are linked to all levels of the service chain to manage the complex reverse logistics, material management, and reporting systems. Service documentation and repair training support customers' own internal and channel service training programs.

Design	Manufacturing	After-sales service
<ul style="list-style-type: none"> <li>• Industrial design</li> <li>• Prototype building</li> <li>• PCB circuit design and layout</li> <li>• Certification qualification testing and processing (agency approvals)</li> <li>• Circuit test development</li> <li>• Compatibility testing</li> <li>• Environmental stress testing / EMC testing</li> <li>• Reliability testing</li> <li>• Component qualification</li> <li>• Electrical and Mechanical design</li> <li>• Functional test development</li> <li>• Packaging design</li> <li>• Embedded software design</li> <li>• Component certification/ approval meeting environmental regulations (e.g. RoHS)</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier quality/ performance management</li> <li>• Component and subsystem assembly</li> <li>• Lead-free PCB assembly</li> <li>• Automatic optical inspector</li> <li>• Automatic in-circuit testing</li> <li>• Functional testing</li> <li>• System manufacturing</li> <li>• CTO (configure-to-order)</li> <li>• BTO (build-to-order)</li> <li>• Real time production data collection</li> <li>• Material /process laboratory analysis</li> <li>• Failure analysis and closed loop corrective action</li> </ul>	<ul style="list-style-type: none"> <li>• Product life cycle planning</li> <li>• Hub management</li> <li>• Asset recovery</li> <li>• Life-time buy component management</li> <li>• Service traffic planning</li> <li>• Refurbishment</li> <li>• Returns processing</li> <li>• Customized report development</li> <li>• Electronic Data Exchange</li> <li>• Upgrades</li> <li>• Warranty repair</li> <li>• All levels of repair support and management</li> </ul>

## **2.8 Market, Production and Sales**

### **2.8.1 Market Analysis**

#### 1. Market Share

Taiwan is a major supplier of information technology products as exemplified by these iconic products. According to the MIC (Feb 2016) and market statistics, Taiwan produced 136,913,000 notebook computers, 54,151,000 desktop computers and 8,206,000 servers in 2015, of which about 14%, 24%, and 22% were produced by our company respectively. These numbers demonstrate our company's considerable competitiveness in the market.

#### 2. Future Market Supply and Demand and Future Growth

##### (1) Future Market Possible Supply and Demand Scenarios

##### A. Supply Perspective :

The personal computer (PC) market has reached maturity and Taiwan's manufacturers must rely on exceptional cost control, assembly technology and production flexibility while devising strategies, engaging in research and development, and building on marketing and management experience to acquire OEM orders. With complete upstream and downstream integration, Taiwanese manufacturers can supply competitive products and retain an edge in research and development, offering ODM services that differentiate them from foreign OEM manufacturers.

##### B. Demand Perspective :

With the spread of smart devices and mobile networks, the global information technology market has shifted the demand for PCs to smart devices, causing a decline in market demand for PCs.

### **Global PC Sales Growth Trend**

Unit : 1 = 1000 units

<b>Year</b>	<b>2014</b>	<b>2015</b>	<b>2016(e)</b>	<b>2017(f)</b>	<b>2018(f)</b>
Number of NBs	173,077	157,612	153,547	155,100	153,710
Growth Rate	-1.0%	-8.9%	-2.6%	1.0%	-0.9%
Number of DTs	141,823	123,288	114,053	110,400	105,990
Growth Rate	-2.5%	-13.1%	-7.5%	-3.2%	-4.0%
Number of PCs (NB + DT)	314,900	280,900	267,600	265,500	259,700
Growth Rate	-1.7%	-10.8%	-4.7%	-0.8%	-2.2%

Source : Digitimes (January 2016) Compound growth rate is around -4.70% from 2014 to 2018.

## (2) Future Growth

We continue to expand the ratio of higher profit products (such as servers) and expedite growth and profit in technical services.

### Global Server Sales Growth Trend

Unit : 1 = 1000 units

Year	2014	2015	2016(e)	2017(f)	2018(f)
Number of Servers	9,431	10,066	10,749	11,337	11,805
Growth Rate	7.7%	6.7%	6.8%	5.5%	4.1%

Source : MIC (December 2015) Compound growth rate is around 5.77% from 2014 to 2018.

## 3. Competitive Niches

### (1) Fully Staffed and Experienced R&D Team

Each business unit in our company has their own R&D department responsible for the research and development of their products. As of January 2016, our company has a R&D team of over 3,750 people, over 99% of which have a college degree or higher and main team leaders have on average over 24 years of experience in developing products in their field. These conditions are a testament to our R&D's strength in terms of the quality of people and their experience.

### (2) Fully Integrated Manufacturing Base

We intend to continue our OEM business while actively venturing into new realms. The company's manufacturing bases are located in Taiwan, China, Mexico and the Czech Republic. One of our company's key advantages now is receiving purchase orders in Taiwan and producing in areas with lower wages to maximize profits.

### (3) Solid Clients and a Diversified Portfolio of Products

Our company's business is based mainly on providing professional OEM services supporting clients with world renowned brands, each comprising an equal share of our sales. Our products are also diversified and the company is not affected by shifts in the industry of a single product. The company is also not affected by instability of supply and demand due to clients' shift in product strategy.

### (4) Focus on Product Quality

Building on years of experience in design and manufacturing, very comprehensive testing and quality control of our products have earned our clients' trust.

### (5) Solid Relationships with Suppliers

As to sources of key technology or key component suppliers, the company maintains long-term partnerships and total cost considerations with our supply chain to provide comprehensive services and solutions with regards to cost, quality, and delivery.

#### (6) Global Logistics Management Capability

The company has established manufacturing bases and service centers in Europe, the Americas and Asia. Over time, we have established effective global logistics management capabilities in order to fulfill a wide range of demands from clients in different parts of the world. This crucial capability matches future trends in the industry and has become one of the key advantages of our company.

#### (7) Professional Management Team

Our management teams are all senior professionals with over 20 years of related experience in the industry. The team enjoys a history of collaboration and shares common ideas and a common goal, paving the way for effective leadership to facilitate growth.

### 4. Advantages and Unfavorable Factors to Long-Term Development and Response Measures

#### (1) Advantages

- A. Taiwan enjoys an extensive information technology industry with strong overall marketing capabilities.

The domestic IT industry has undergone several phases of transition and matured in the process. The Taiwanese IT industry occupies a solid place in the global marketplace. The industry is proportionally dispersed and well-integrated among individual industries allowing mutual support.

This has led to an increase in the international marketing capability of Taiwan's IT industry, enabling this industry to become a global procurement center for personal computer related products.

- B. Taiwan's component industry has matured and enjoys a stable supply of key components.

In recent years, Taiwanese manufacturers have gained dominance in key components such as chip sets, printed circuit boards, and touch modules for motherboards, notebook computers, tablet computers, smart phones and LCD displays. The industry's comprehensive development has helped advance the domestic IT industry and boost Taiwan's IT capabilities.

- C. Potent R&D and Technical Innovation Capabilities.

Our company has one of the finest R&D teams in the industry and continues to strive for product development and technical innovation. We cooperate with CPU manufacturers to jointly develop new products, which allow us to market new technologies ahead of competitors. We also maintain R&D departments in all IT product business units, enabling the company to stay ahead of competition in a highly competitive market with short product cycles.

#### D. Solid After-Sales Service Networks

The company has established service centers on three continents in Taiwan, China, the Czech Republic, Japan, Hong Kong, Singapore, India, the Philippines, Turkey, Mexico, Columbia and Brazil, offering real-time and efficient after-sales service.

### (2) Unfavorable Factors

#### A. Intense Competition Lowers Profit

The development of the IT industry has lowered entry barriers and the influx of producers has led to intense competition. Meanwhile, the maturity of computer products, advancement of manufacture technology, over-capacity, and less product feature differentiation have led to profit margins decline.

#### B. Exchange Rates' Effect on Profits

The company's products are mostly for export and profits are susceptible to changes in exchange rates.

#### C. Mounting Labor and Land Costs Raise Production Costs

Automated assembly can accommodate the production of most of the company's products but certain components still rely on manual labor. Mounting labor cost has raised operation expenditures in China and the industry's production costs which are detrimental to competition in the global market.

### (3) The Company's Response

A. Confront the competition by active product innovation and developing high value-added products.

B. Maximize production efficiency by strengthening cost and inventory control and increasing automation.

C. Hedge against exchange rate risks by balancing assets and debt in foreign currency to lower net foreign currency position.

D. Finance personnel must be wary of fluctuations in exchange rates and the company's demand for funds by taking appropriate hedging measures.

E. Raise the quality of the products and lower dependence on manual labor by actively investing in automated production equipment.

F. Increase capacity utilization by streamlining design and production instead of merely increasing capacity.

## **2.8.2 Core Applications of Major Products and Manufacturing Processes:**

### 1. Core Applications of Major Products

Data storage, logic computation, analyses, network communication, data management, computer-assisted design, manufacturing, publication, education, entertainment, electronic purchases, word processing, financial services and finance management.

### 2. Manufacturing Processes

#### 2.1 Printed Circuit Board Assembly (PCBA)

Incoming material inspection → materials preparation → solder paste printing → high speed placement for small surface mount device → Flexible placement for fine pitch/large surface mount device → nitrogen reflow heating and soldering → automatic optical inspection → in-circuit tester inspection → on-line inspection → component insertion → wave soldering in heated tin stove → mending operations → PCB ICT and ATE tests → functional inspection → visual inspection → packaging → inventory → shipping

#### 2.2 Final Assembly (FA) :

Incoming material inspection → materials preparation → assembly → system function pre-test → run-in test → operation system download → system final function test → visual inspection → packaging → inventory → shipping



### 2.8.3 Status of Supply of Chief Materials:

Main Materials	Domestic and Foreign Sources	State of Supply
CPU	United States	Tight supply in the first six months and improvement expected after Q2. Well supplied year-round.
Hard Drives	United States, Japan	Supply somewhat tight in the first six months, will be balanced in Q3. Well supplied year-round. (Overall low demand for PC and growing replacement with Solid State Disk)
DRAM	United States, Japan, Korea	DRAM maker's technology migration(die shrink) plan keeps going ahead as demand for mobile devices continue to increase. We expect an oversupply this year.
Power Supply	Taiwan, China	Supply will meet production demands year-round. (Mainly due to low demand of PC)
PCB	Taiwan, China	Due to weak demand in the industry overall, supply continues to outpace demand. Motherboard and related manufacturers have made strategic adjustments to production structures and made shifts to automobile, server or HDI applications to raise capacity utilization and profits.
LCD	Japan, Taiwan, Korea, China	Lower demand and Chinese manufacturers' increase in production lines ensures a stable supply.

## **2.9 Board of Directors, Supervisors and Key Managers background information (including share holding)**

### **2.9.1 Information of Board of Directors (April 17, 2016)**

Title	Nationality or registered	Name	Date of Election	Term	Shares Held When Elected		Current Shareholding		
					Number	Percentage	Number	Percentage	
Chairman & CEO	Republic of China	Simon Lin	06/26/2015	3	28,064,521	1.14	30,507,109	1.19	
Director	Republic of China	Stan Shih	06/26/2015	3	2,565,422	0.10	2,644,302	0.10	
Director	Republic of China	Haydn Hsieh	06/26/2015	3	998,043	0.04	1,028,730	0.04	
Director & President & COO	Republic of China	Robert Hwang	06/26/2015	3	2,740,810	0.11	4,040,760	0.16	

	Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Number	Percentage			Title	Name	Relationship
	1,415	0	Bachelor	Chairman & CEO of Wistron Corp. Chairman of Wistron ITS Corp. Chairman of Changing Information Technology Inc. Director of Gamania Digital Entertainment Co., Ltd. Independent Director of Taiwan IC Packaging Corp. Independent Director of Neo Solar Power Corp. Chairman of Wiwynn Corp. Independent Director of Elan Microelectronics Corp. Chairman of Wistron Medical Tech Holding Company Chairman of Wistron Digital Technology Holding Company	-	-	-
	355,705	0.01	Master	Director of Wistron Corp. Director of Acer Inc. Director of Qisda Corp. Independent Director of Taiwan Semiconductor Manufacturing Co., Ltd. Director of Nanshan Life Insurance Co., Ltd. Director of Egis Technology Inc. Director of Digitimes Inc. Chairman of Stans Foundation Chairman of National Culture and Arts Foundation Director of PTS/ Public Television Service Foundation	-	-	-
	12,160	0	Bachelor	Director of Wistron Corp. Chairman & CEO of Wistron NeWeb Corp. Director of AOPEN Inc. Director of aEnrich Technology Corp. Independent Director of Raydium Semi-conductor Corp. Director of Apacer Technology Inc.	-	-	-
	163,993	0.01	Master	Note	-	-	-

Title	Nationality or registered	Name	Date of Election	Term	Shares Held When Elected		Current Shareholding		
					Number	Percentage	Number	Percentage	
Independent Director	Republic of China	John Hsuan	06/26/2015	3	0	0	0	0	
Independent Director	Republic of China	Michael Tsai	06/26/2015	3	0	0	0	0	
Independent Director	Republic of China	James K.F. Wu	06/26/2015	3	0	0	0	0	
Independent Director	Republic of China	Duh-Kung Tsai	06/26/2015	3	0	0	0	0	

	Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Number	Percentage			Title	Name	Relationship
	432,958	0.02	Bachelor	Independent Director of Wistron Corp. Emeritus vice-chairman of United Microelectronics Corp. Independent Director of Compal Electronics Inc. Chairman of Taiwan Memory Company Chairman of Maxima Venture I, Inc. Chairman of Maxima Venture II, Inc. Independent Director of Siliconware Precision Industries Co., Ltd. Chairman of Meridigen Biotech Co., Ltd. Director of General Biologicals Corp. Director of Clientron Corp. Director of SIPP Corp. Chairman of D-Link Corp.	-	-	-
	0	0	Bachelor	Independent Director of Wistron Corp. Chairman of Maxchip Electronics Corp. Chairman of Zentel Electronics Corp. Director of Powerchip Technology Corp. Director of Foci Fiber Optic Communications, Inc. Independent Director of United Integrated Services Co., Ltd.	-	-	-
	5,613	0	Bachelor	Independent Director of Wistron Corp. Independent Director of Lite-On Technology Corp. Independent Supervisor of Advantech Co., Ltd. Director of Finance and Economics Research and Education Foundation	-	-	-
	0	0	Bachelor	Independent Director of Wistron Corp. Chairman & CEO of Powertech Technology Inc. Chairman of Greatek Electronics Inc. Independent Director of Compal Electronics Inc. Independent Director of Chicony Power Technology Co., Ltd. Director of PTI Technology (Suzhou) Ltd. Director of Powertech Holding (B.V.I.) Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd.	-	-	-

Title	Nationality or registered	Name	Date of Election	Term	Shares Held When Elected		Current Shareholding		
					Number	Percentage	Number	Percentage	
Independent Director	Republic of China	Victor C.J. Cheng	06/26/2015	3	78,911	0	81,337	0	

Note : Director & President & COO of Wistron Corp. 、 Chairman of Anwith Technology Corp. 、 Director of Gopal Lighting Technologies Inc. 、 Director of Lian-Yi (Far East) Ltd. 、 Chairman of WiAdvance Technology Corp. 、 Director of Wistron Medical Tech Holding Company 、 Chairman of WiEdu Corp. 、 Chairman of ANWITH Corp. 、 Chairman of SMS InfoComm Corp. 、 Chairman of Win Smart CO., LTD. 、 Chairman of Wistron InfoComm (Philippines) Corp. 、 Chairman of Wistron InfoComm Technology (America) Corp. 、 Chairman of Wistron Mexico S.A. de C.V. 、 Chairman of WisVision Corp. 、 Chairman of WiEdu Hong Kong Limited 、 Chairman of SMS InfoComm (Singapore) Pte. Ltd. 、 Chairman of SMS (Kunshan) Co., Ltd 、 Chairman of Wistron InfoComm Technology Service (Kunshan) Corp. 、 Chairman of WIS Precision (Kunshan) Co., Ltd. 、 Chairman of Wistron InfoComm (Shanghai) Corp. 、 Chairman of Wistron InfoComm (Zhongshan) Corp. 、 Chairman of Wistron InfoComm (Kunshan) Co., Ltd. 、 Chairman of Wistron InfoComm (Qingdao) Co.,Ltd 、 Chairman of Wistron InfoComm (CHONGQING) Co.Ltd. 、 Chairman of Wistron InfoComm (Taizhou) Co., Ltd. 、 Chairman of Wistron optronics (Shanghai) Corp. 、 Chairman of Wistron Optronics (Kunshan) Co. , Ltd. 、 Chairman of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. 、 Chairman of Wistron Service (Kunshan) Corp. 、 Director of AII Holding Corp. 、 Director of Cowin Worldwide Corp. 、 Director of ICT Service Management Solutions (India) Private Limited 、 Director of Mindforce Holding Limited 、 Director of Service Management Solutions Mexico SA DE CV 、 Director of SMS InfoComm (Malaysia) sdn. bhd. 、 Director of WiEDU Holding Co., Ltd 、 Director of WIEDU SDN. BHD. 、 Director of WiseCap (Hong Kong) Limited 、 Director of Wistron Advanced Materials (Hong Kong) Limited 、 Director of Wistron Europe Holding Cooperatie U.A 、 Director of Wistron Green Tech (Texas) Corp. 、 Director of Wistron InfoComm Technology (Texas) Corp. 、 Director of Wistron K.K. 、 Director of WISTRON TECHNOLOGY (MALAYSIA) SDN. BHD. 、 Director of GOLD CONNECTION LIMITED 、 Director of ANWITH (KunShan) CO.,LTD. 、 Director of Fullerton Ltd. 、 Director of WIS PRECISION (TAIZHOU) CO., LTD. 、 Director of Wistron Investment (Sichuan) Co., Ltd. 、 Director of Wistron Hong Kong Limited 、 Director of Wistron Hong Kong Holding Limited 、 Director of Wistron InfoComm (Chengdu) Co., Ltd. 、 Director of Wistron Optroncis(Shanghai) Co., Ltd 、 Director of Wistron Advanced Materials (Kunshan) Co., Ltd. 、 Director of Wiwynn Technology Service

	Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Number	Percentage			Title	Name	Relationship
	0	0	Doctorate	Independent Director of Wistron Corp. Director of Lotes Co., Ltd. Independent Supervisor of Asustek Computer Inc. Independent Supervisor of Apacer Technology Inc. Director of Kinsus Interconnect Technology Corp. Independent Director of eChem Solutions Corp.	-	-	-

(Beijing) Limited、Director of LIAN-YI PRECISION (ZHONGSHAN) INC.

**2.9.2 Information of Key Managers (April 17, 2016)**

Title	Nationality	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
				Number	Percentage	Number	Percentage	
Chairman & CEO	Republic of China	Simon Lin	01/01/2002	30,507,109	1.19	1,415	0	
Director & President & COO	Republic of China	Robert Hwang	01/01/2002	4,040,760	0.16	163,993	0.01	
Chief Staff Officer	Republic of China	Frank F.C Lin	01/01/2002	2,048,285	0.08	7,513	0	
Chief Finance Officer	Republic of China	Henry Lin	09/16/2002	504,470	0.02	0	0	



	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Bachelor	Reference to the information of Board of Directors.	-	-	-
	Master	Reference to the information of Board of Directors.	-	-	-
	Bachelor	Director of Wistron NeWeb Corp. Director of AOPEN Inc. Director of Wistron ITS Corp. Chairman of WiseCap Ltd. Chairman of WLB Ltd. Director of Wiwynn Corp. Director of Changing Information Technology Inc. Director of Maya International Company Ltd. Director of IP Fund Six Director of Join-Link International Technology Co. Ltd. Director of Wistron Medical Tech Holding Company Director of Wistron Digital Technology Holding Company Supervisor of Formosoft International Inc. Supervisor of aEnrich Technology Corp. Chairman of WiseCap (Hong Kong) Limited Director of Hartec Asia Pte. Ltd. Director of Super Elite Ltd. Director of Hukui Biotechnology Corporation	-	-	-
	Master	Director of Wistron NeWeb Corp. Director of AOPEN Inc. Independent Director of RDC Semiconductor Co., Ltd. Independent Director of AVer Information Inc. Director of Browave Corp. Independent Director of TSRC Corp.	-	-	-

Title	Nationality	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor	
				Number	Percentage	Number	Percentage
President of CPBG	Republic of China	Donald Hwang	01/01/2002	1,765,604	0.07	0	0
President of CSBG	Republic of China	David Shen	06/08/2007	315,514	0.01	13,605	0
General Plant Manager	Republic of China	Kenny Wang	06/08/2007	1,109,441	0.04	0	0
General Auditor	Republic of China	M.Y. Lin	01/01/2002	1,263,078	0.05	91,829	0
Controller	Republic of China	Stone Shih	07/15/2003	793,691	0.03	2,428	0

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Master	Director of International Standards Labs. Director of Maya International Co., Ltd. Director of Join-Link International Technology Co. Ltd. Director of ARBOR Technology Corp. Director of Wistron Digital Technology Holding Company Director of Apollo Medical Optics, Ltd. Director of AII Holding Corporation Director of Apollo Medical Optics Inc. Director of Creator Technology B.V. Director of Tube Inc. Director of Win Smart CO., LTD. Director of Wistron Mobile Solutions Corporation Director of Wistron InfoComm Technology Service (Kunshan) Co., Ltd Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron InfoComm (Shanghai) Corporation Director of Wistron InfoComm (Chengdu) Co., Ltd. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Supervisor of Wistron InfoComm (CHONGQING) Co., Ltd. Director of Wistron InfoComm (Taizhou) Co., Ltd. Director of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	-	-	-
	Master	Director of Hanergy Technology Corp. Director of Anextek Global Inc. Director of WiEdu Corp. Chairman of Global Lighting Technologies (Zhongshan) Inc. Director of WiEdu Hong Kong Limited Director of Audio Design Experts, Inc. Director of Cowin Worldwide Corporation Director of Formosa Prosonic Industries Berhad Director of HERACLES ENTERPRISES LIMITED Director of Optiemus Electronics Limited Director of Shining Green Limited Director of Smartiply, Inc Director of Wistron Mexico S.A. de C.V. Director of WISTRON TECHNOLOGY (MALAYSIA) SDN. BHD. Director of WisVision Corporation Director of AII Technology (Zhong Shan) Co., Ltd. Director of Wistron InfoComm (Zhongshan) Corporation Director of Wistron InfoComm (Qingdao) Co., Ltd. Director of Wistron InfoComm Technology (Zhongshan) Co., Ltd.	-	-	-
	Bachelor	Director of Win Smart Co., Ltd. Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Wistron InfoComm (Taizhou) Co., Ltd.	-	-	-
	Doctorate	-	-	-	-
	Master	(Note)	-	-	-

Title	Nationality	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor	
				Number	Percentage	Number	Percentage
Chief Administration Officer	Republic of China	Terry Lu	04/25/2011	753,135	0.03	0	0
Chief Material Officer	Republic of China	Ben Cheng	04/25/2011	1,124,090	0.04	0	0
Chief Quality Officer	Republic of China	R.R. Chang	04/25/2011	319,749	0.01	0	0
COO of CPBG	Republic of China	Jeff Lin	04/10/2015	215,903	0.01	0	0
President of EBG	Republic of China	Kelvin Chang	04/10/2015	1,241,535	0.05	58,278	0
President of SBG	Republic of China	William Lin	04/10/2015	215,640	0.01	729	0

Note : Director of WiseCap Ltd.; Director of WLB Ltd.; Director of AII Holding Corporation; Director of Lilee Systems, Ltd.; Director of WIEDU SALES AND MARKETING SDN. BHD.; Director of WIEDU SDN. BHD.; Director of WiseCap (Hong Kong) Limited; Director of Wistron InfoComm Technology (America) Corporation; Director of Wistron InfoComm Technology (Texas) Corporation; Director of Wistron LLC; Director of KunShan ChangNun Precision Die Casting Co., Ltd.; Director of Wistron Advanced Materials (Kunshan) Co., Ltd.; Director of WiseOps Co., Ltd.; Supervisor of International Standards Labs.; Supervisor of Anextek Global Inc.; Supervisor of Wiwynn Corp.; Supervisor of Maya International Co., Ltd.; Supervisor of Anwith Technology Corp.; Supervisor of WiEdu Corp.; Supervisor of Supervisor of Wistron Optronics (Kunshan) Co., Ltd.; Supervisor of Wistron K.K.; Supervisor of Weshtek Information Technology Services Co., Ltd. , Shanghai; Supervisor of SMS (Kunshan) Co., Ltd.; Supervisor of Wistron Medical Tech Holding Company ; Supervisor of Wistron Digital Technology Holding Company; Supervisor of Wistron InfoComm Technology Service (Kunshan) Corp.; Supervisor of ANWITH (KunShan) CO.,LTD.; Supervisor of AII Technology (Zhongshan) Co., Ltd.; Supervisor of WIS PRECISION (TAIZHOU) CO., LTD.; Supervisor of Wistron Investment (Sichuan) Co., Ltd.; Supervisor of Wistron InfoComm (Shanghai) Corporation; Supervisor of Wistron InfoComm (Zhongshan) Corporation; Supervisor of Wistron InfoComm (Chengdu) Co., Ltd.; Supervisor of Wistron InfoComm (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm (Qingdao) Co., Ltd.; Supervisor of Wistron InfoComm (CHONGQING) Co., Ltd.; Supervisor of Wistron InfoComm (Taizhou) Co., Ltd.; Supervisor of Wistron Optronics (Shanghai) Co., Ltd.; Supervisor of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm Technology (Zhongshan) Co., Ltd.; Supervisor of Wistron Service (Kunshan) Corp.

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Bachelor	Director of WiAdvance Technology Corporation Director of WiseCap Ltd. Director of WLB Ltd. Chairman of AII Technology (Zhongshan) Co., Ltd. Chairman of Wistron InfoComm Technology (Zhongshan) Co., Ltd.	-	-	-
	Master	-	-	-	-
	Master	Chairman of International Standards Labs. Director of Wistron optronics (shanghai) Corportion Director of Wistron Optronics (Kunshan) Co., Ltd. Director of WiseOps Co., Ltd.	-	-	-
	Master	-	-	-	-
	Master	-	-	-	-
	Master	Director of ANWITH TECHNOLOGY CORPORATION Director of SMS (Kunshan) Co., Ltd Director of ANWITH (KunShan) CO.,LTD. Director of SMS InfoComm (Singapore) Pte. Ltd. Director of Wistron Service (Kunshan) Corp. Director of ANWITH CORPORATION Director of ICT Service Management Solutions (India) Private Limited Director of Service Management Solutions Mexico SA DE CV Director of SMS InfoComm (Malaysia) sdn.bhd. Director of SMS InfoComm Corporation Director of Wistron InfoComm (Philippines) Corporation Director of Wistron K.K.	-	-	-

**2.10 Policy, criteria, packages, and rules of procedure relating to the compensation for directors, president and vice presidents, as well as relevance between the foregoing and evaluation of each party's performance respectively:**

- (1) If the Company has profit as a result of the yearly accounting closing, 10% of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reversed special reserve, shall be set aside (hereinafter referred to as "profit from the current year"), along with any undistributed profits accumulated from previous years to be identified as profits to be distributed, in accordance with the Securities and Exchange Act. The balance, if any, will be distributed in accordance with the following :
  - A. No less than 5 percent of profit from the current year as employees' bonus shall be included; where such bonus is distributed by shares, employees of controlled companies, with qualifications set by the Board of Directors;
  - B. One percent (1%) of profit from the current year as the remuneration in cash to the Directors .
  - C. The rest as working capital of the Company and not less than ten percent (10%) of profit from the current year distributed as dividends to shareholders.
- (2) In accordance with the amendment of Company Act, the Company has approved the amendment to "Article of Incorporation" by Board of Directors on March 25, 2016, and will submit to discuss in shareholders' meeting.

If the Company has profit as a result of the yearly accounting closing (profit means the profit before tax, excluding the amounts of employees' and directors' compensation), such profit will be distributed in accordance with the following, once the Company's accumulated losses shall have been covered.

- A. No less than five percent (5%) of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive compensation shall be determined by the Board of Directors.
  - B. No more than one percent (1%) of profit as the compensation in cash to the Directors.
- (3) The total compensation for the President and vice president(s) comprises (i) primarily variable items, including performance bonus, dividend (distribution in cash or stock), and stock option; and (ii) secondary fixed items, including base salary, annual bonus, and benefits. The fixed items remain competitive with the average level of the industry, while variable items are distributed taking into account both company operating result and personal performance as a whole. The better the result of the Company operating result and personal performance, the higher the ratio between variable items and fixed items.

Evaluation and review of personal performance of the President and vice president(s) are based upon achievement of operating goal, profit ratio, growth rate, operating earnings and efficiency, as well as potential for future development. Criteria for evaluation and review are set forth in the beginning of the year, taking into account internal and external factors of business environment of that particular year. All weighting factors are subject to the Chairman and CEO's final approval then implemented accordingly. Thereafter, the Chairman and CEO will determine compensation to be paid to the President and vice president(s) based upon his evaluation and review of their personal performance respectively.

## **2.11 Labor Relations**

### **2.11.1 Detailed descriptions of employee benefits, training and development, retirement plan and each of the implementations, as well as the labor management agreement and employee rights preservation policies are listed in the following:**

(1) Employee benefits:

Wistron always cares for and values employees by implementing a series of programs in accordance with the law to help employees develop a higher quality of working life, which, in turn, enhances productivity. These programs include allocating welfare funds, establishing an employee welfare committee, and electing employee committee members to plan for annual benefit activities. In addition, Wistron also provides employees free commuting transportation, Employee Assistance Programs (EAPs), family party, fitness center, group insurance plans.

(2) Training and development:

In year 2015, Wistron took around 11 million NT dollars for training budget and offered 539 training courses which accounted for 1,475 training hours and 43,966 participants in total in Taiwan. The major training items are “New Employee Training”, “CS<sup>2</sup>R”, “Management Training”, “English” and “Culture Workshop”. Wistron believes the constant enhancement of workforce quality is one of the key driving forces for the Company’s long-term development and sustaining in the market.

To achieve this goal, Wistron constantly invests in the employees’ training activities to enhance employees’ professional skills and knowledge, management skills sets, corporate culture and other related skills. Aligning training with business objectives, since year 2008, General Managers of each Business Unit have committed to participate in the Management Assessment and Development Program, and as part of the program, to develop and implement their own Individual Development Plan (IDP). The program aims to enhance the managers’ managing and leadership skills as well as their operational efficiency. The target audience of the program is also extended to overseas site General Managers starting from year 2009.

Through the efforts over the two years, high-level managers have developed more proficient level of skills in developing organizational talents, and have committed to diffuse the initiative further down the organizational hierarchy.

Meanwhile, Wistron has extended the application of e-Learning to external counterparts, such as suppliers, to deliver its quality standard and RoHS compliance requests. E-Learning not only helps Wistron employees accelerate the understanding of Wistron internal quality policies, processes and acquire the knowledge of necessary tools, but also helps external suppliers understand and meet Wistron’s quality policies to deliver zero-defect products and services to Wistron’s customers.



To establish a system of talent development and e-Learning training, Wistron develops a Knowledge Management System (KM) to facilitate the knowledge sharing within/among departments, including overseas offices.

From 2003 to 2006, each year Wistron has been entitled awards for its excellent achievement in E-Learning implementation. Wistron was awarded the “Enterprise E-Learning for Performance Excellence” Award three years in a row, and one “Special Award” for the fourth year by the Ministry of Economic Affairs of Republic of China. In 2004 Wistron was selected by the government to represent enterprises in Taiwan to share its e-Learning best-practices in the prestigious American Society of Training and Development (ASTD) 60th anniversary international convention with the human resource experts, researchers and training professionals from across the world. In year 2005 Wistron was honored the “E-Learning Flagship Role Model Enterprise” in Taiwan. In year 2008, Wistron was awarded “National HRD InnoPrize” by Council of Labor Affairs of the Executive Yuan.

(3) Retirement plan:

To develop a stable retirement plan for the employees and therefore enhance employees’ engagement to the Company, Wistron establishes rules for the employee retirement plan in accordance with the Labor Standard Law and Labor Pension Act. Wistron contributes six percent of applicable employee’s monthly wage to the labor pension per month according to Labor Pension Act. Besides, Wistron establishes Supervisory Committee of Workers’ Retirement Fund to allocate employee retirement reserve fund each month in accordance with “Rules for the Allocation and Management of the Workers’ Retirement Fund” and deposits the fund into the dedicated account in the name of Supervisory Committee in the legally established banks.

(4) Labor Relations:

Wistron always values communication with the employees, and endeavors to reach the labor management harmony. Wistron has never been subjected to any loss due to labor management dispute, and expects no such kind of loss in the future.

**2.11.2 At the time of printing this publication, loss incurred by labor dispute and the amounts of anticipated losses and countermeasures: None**

# 3. Operational Highlights

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### 3.1 Key Accounts in the Past Two Years

#### 3.1.1 Key Suppliers

Unit : NT\$ thousands

	2014				2015			
	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron
1	Cowin Worldwide Corp.	123,878,395	23.50	(NOTE)	Cowin Worldwide Corp.	126,457,420	22.86	(NOTE)
2	Wistron InfoComm (Chengdu) Co	112,631,102	21.37	(NOTE)	Wistron InfoComm (Chengdu) Co	97,162,500	17.56	(NOTE)
3	Wistron InfoComm (Kunshan) Co	77,113,665	14.63	(NOTE)	Wistron InfoComm (Kunshan) Co	82,881,700	14.98	(NOTE)
4	Wistron InfoComm (Chongqing) Co	72,533,391	13.76	(NOTE)	Wistron InfoComm (Chongqing) Co	80,514,957	14.56	(NOTE)
5	Others	140,981,232	26.74	-	Others	166,167,702	30.04	-
-	Total	527,137,785	100.00	-	Total	553,184,279	100.00	-

NOTE : Subsidiary of the Company

#### 3.1.2 Key Buyers

Unit : NT\$ thousands

	2014				2015			
	From	Amount	Percentage of total net sales (%)	Relationship with Wistron	From	Amount	Percentage of total net sales (%)	Relationship with Wistron
1	AIIH	134,389,996	24.58	(NOTE)	AIIH	130,112,307	22.21	(NOTE)
2	Buyer B	79,001,703	14.45	-	Buyer J	84,331,583	14.40	-
3	WITX	61,280,806	11.21	(NOTE)	Buyer I	80,761,873	13.79	-
4	Buyer A	47,259,035	8.65	-	WITX	50,102,845	8.55	(NOTE)
5	Others	224,713,867	41.11	-	Others	240,490,572	41.05	-
-	Total	546,645,407	100.00	-	Total	585,799,180	100.00	-

NOTE: Subsidiary of the Company

### 3.2 Production Value in the Most Recent Two Years

Unit : PCS;Thousand NT\$

Production Value	Year	2014			2015		
	Major Product	Capacity	Quantity	Value	Capacity	Quantity	Value
Portable device		30,031,140	22,523,355	309,723,348	31,120,543	22,406,791	299,248,672
Desktop PC		16,386,340	15,239,296	74,634,891	13,920,967	12,946,500	76,281,534
Others		107,238,134	75,066,694	230,589,983	127,364,920	113,354,779	281,382,144
Total		153,655,614	112,829,345	614,948,222	172,406,430	148,708,070	656,912,350

Note : Company shall prepare consolidated financial reports of 2014 &amp; 2015 in accordance with IFRSs regulation.

### 3.3 The Sales Value in the Most Recent Two Years

Unit : PCS;Thousand NT\$

Sales Value	Year	2014				2015			
	Major Product	Domestic		Export		Domestic		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Portable device		272,257	3,102,023	21,350,164	293,590,551	111,958	1,368,695	20,738,806	276,972,285
Desktop PC		406,880	2,464,100	14,685,143	71,920,910	36,476	341,178	12,713,443	74,908,350
Others		1,471,665	5,082,256	70,377,885	216,186,893	410,170	1,965,895	107,850,012	267,717,585
Total		2,150,802	10,648,379	106,413,192	581,698,354	558,604	3,675,768	141,302,261	619,598,220

Note : Company shall prepare consolidated financial reports of 2014 &amp; 2015 in accordance with IFRSs regulation.

### 3.4 Taiwan Employee Data during the Past Two Years

Year		2014	2015
Employee Number	Sales	904	1,080
	Engineers	3,727	3,665
	Administration	949	964
	Direct Labor	448	276
	Total	6,028	5,985
Average Age		35.77	36.18
Average Seniority		6.11	6.30

### **3.5 Environmental Protection Measures**

The Company's current compliance with RoHS recast (2011/65/EU) and other environmental protection requirements may be explained through the following aspects:

(1) Product Research and Development :

All products developed by Wistron focus on 3 subjects- hazardous free, energy saving, and resources reduction as well as have fully conformed to the European Union's RoHS (2011/65/EU) and WEEE requirements. Furthermore, we are actively paying close attention to other environmental protection trends, such as Green House Gas, Product Carbon Footprint, Halogen-free, REACH, PAHs, PFOS, Energy Star, ErP and the US EPEAT (Electronic Product Environmental Assessment Tool). Implement the Eco-design from product development; we strive to contribute for the betterment of the global environment.

(2) Production/Manufacturing :

All Wistron manufacturing bases of operation have the capacity to produce environmental friendly products; the Material Management System, Manufacturing Process Control, and Lead-free production equipment are all established. Our Taiwan, Philippines, China and Czech operation bases have been certified ISO 14001 and IECQ QC08000 (Hazardous Substance Process Management). We ensure product compliance with relevant requirements through a comprehensive environmental quality management system. We also inventory greenhouse gas emission from production and establish reduction goals as well as verified by 3<sup>rd</sup> party for ISO 14064. Moreover, the electricity consumption is the major contribution of greenhouse gases emission. To reduce the power consumption can reduce the greenhouse gases emission; therefore, Wistron improved the energy efficiency for major equipment and use the energy saving equipment to reduce the greenhouse gases emission and energy usage cost. Our target is to reduce the 3% of electricity consumption. In order to analysis the efficiency of energy utilization and find out the opportunity of energy saving as well as providing framework of sustaining performance improvement of energy efficiency, Wistron started to implement the ISO 50001 energy management system in Taiwan and Zhongshan Plant since 2014.

(3) Quality Control :

Wistron has established hazardous substance analysis laboratories in Taiwan, China, Czech, and Mexico, and continuously develops other overseas bases of operation to complete the overall arrangement of a global hazardous substance testing network. We implemented the regular sampling test mechanism to ensure that components and products don't contain the hazardous substances.

(4) Supply Chain Management :

Wistron conducts regular audit and checks on suppliers to ensure that materials and components comply with environmental protection requirements; we change unqualified suppliers as well as hold annual vendor conference to introduce green product trend and Wistron's environmental

requirements to reinforce suppliers' awareness on environmental protection. Our philosophy is to implement source management programs to minimize risks. To improve global warming is important issue to environment, Wistron has required suppliers to provide the data of greenhouse gases emission and encourage supplier to reduce the emission since every year. Furthermore, Wistron start to inventory the scope 3 of greenhouse gases emission for Taiwan office and factory since 2015. Collect the emission which is generated by employee travelling and transportation for product and materials. This plan will also be deployed to the other sites.

(5) Personnel :

Wistron has established a dedicated material analysis laboratories and green component engineering department, in charge of hazardous substance analysis and component qualification through chemical analysis. Furthermore, continuously monitor green product trend as well as provide proposal and solution. In addition, the reinforcement of employees' environmental protection knowledge and skills through actual training courses and e-learning ensures the employees in the Company shall perform relevant environmental protection tasks well.

(6) Information System :

Wistron has established a Green Product Management system – GPM; suppliers may directly upload related environmental protection information into Wistron's GPM database through the internet so as to simplify procedures, minimize human error, and enhance task efficiency. The flexibility of the interface allows it to cope with future environmental protection requirements. Moreover, GPM could generate customized format report to declare the green product information to customers. We have implemented the GPM2.0 to enhance the system function and efficiency in 2014. In order to efficiently address the increased requirement of controlled hazardous substances, e.g. REACH-SVHC, Wistron has developed and implemented the full material disclosure (FMD) information system to know well the composition of materials used in the products. Therefore, we can quickly verify whether the hazardous substances be used in product as well as reduce the operation cost due to the repeated investigation. In addition, Wistron has developed a product Carbon Footprint Management system(CFM) to inventory the total emission of carbon dioxide for whole product lifecycle as well as passed the verification by 3<sup>rd</sup> party.

## **3.6 Corporate sustainability and social responsibility**

### **3.6.1 Awareness and commitment**

Wistron Corporation is a world leading Technology Service Provider (TSP) in the information and communication industry. As such, the Company is fully aware of its capacity and responsibility as a global corporate citizen and thereby commits to providing top-quality product design and services alongside the wielding of positive influence with a view to enhancing corporate sustainability and social responsibility.

In 2008, Wistron started its era of corporate sustainability and social responsibility through the establishment of designated bodies. In practice, we fine-tuned our execution of corporate sustainability and social responsibility with reference to local cultures in different business locations. From 2010 onwards, Wistron started to communicate with stakeholders in different social sectors through different channels.

### **3.6.2 Corporate sustainability and social responsibility management**

We recognize that environmental and social topics are too big for any single organization to address alone, therefore Wistron set up a Corporate Sustainability and Social Responsibility Implementing Committee (“CS<sup>2</sup>R Implementing Committee”). The CS<sup>2</sup>R Implementing Committee is the highest internal unit in managing Wistron’s CS<sup>2</sup>R affairs. Serving as Chairperson of the committee, the COO is responsible for setting policies, objectives and directions, as well as conducting management review.

In order to ensure that the policies and resolutions of the CS<sup>2</sup>R Implementing Committee are implemented, Wistron has established five corresponding management systems in response to the five key issues of quality, green products, environmental protection, occupational safety and health, and social responsibility. Through these management systems, Wistron strives to align itself with international standards, acquire relevant management system certifications, and integrate sustainability and social responsibility policies and objectives into daily business operations.

### **3.6.3 Corporate sustainability and social responsibility progress**

1. Since 2009, Wistron has responded to the Carbon Disclosure Project (CDP) questionnaire annually, in voluntary disclosure of our climate risks, as well as looking for opportunities for future development, emissions information and management strategies.
2. Since 2010, Wistron’s corporate greenhouse gas (GHG) goal has been set as “reduce unit revenue GHG emissions by 1% year-over-year.”
3. Since 2010, Wistron has released an annual report of corporate sustainability and social responsibility. The content of this report has been verified by an independent third party verifier, based on AA1000 standards, in compliance with the requirements of the Global Reporting Initiative (GRI) G4.0.
4. For sustainability and innovation, Wistron has established a “Green Recycling Business Division” centered on the idea that “no pollution should be generated the second time around.” By using

recycling technologies for many types of resources, Wistron aims to recycle electronic waste (plastics, circuit boards, batteries, and displays) and turn them into high-quality raw materials so that these recycled resources can be used again. Such moves help to protect the environment and reduce resource waste, and also help to reduce greenhouse gas emissions.

5. As a member of the Electronic Industry Citizenship Coalition (EICC), Wistron fully supports the vision and goals of the EICC, as well as its code of conduct on Environmental, Ethics, Labor and Health & Safety.

For more information, please refer to our CS<sup>2</sup>R report at <http://www.wistron.com>

#### **3.6.4 The Wistron Foundation**

Wistron Foundation was established in 2010. Mr. Simon Lin holds the position of Chairman. Wistron Foundation strives to protect the environment and maintain ecological balance, advocate the values of humanities, and fulfill Wistron's corporate social responsibility.

We aim to expand Wistron's business philosophy of "Altruism" from the local community on to the entire society. For a long time, Wistron has been involved in the activities of caring for humanity and the environment through sponsorships in a variety of public welfare projects, including donations to disadvantaged children and remote schools, and cooperating with NGO/NPO partners.

In pursuit of harmony between humans and nature, Wistron Foundation has continually engaged in and sponsored projects in supporting teaching humanism, concern for humanity, environmental education and concern for the environment. In 2015, the number of our sponsored projects reached twenty-four. Aside from sponsorships, we also initiate and promote different volunteering programs and encourage the participation of Wistron's employees.

The four principles of Wistron Foundation — "protecting the planet," "cherishing life," "improving quality," and "creating value" — follow our corporate values. We are committed to continue working on these long-term programs that lead towards sustainable development.

For more information, please visit the website of Wistron Foundation :

<http://www.wistron-foundation.org>



# **4. Company Shares and Fund Raising**

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## 4.1 Capital and Shares (April 17, 2016)

### 4.1.1 Changes in share capital

Unit : Shares

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
May 30, 2001	Issuance of Shares	1,000,000	1,000,000
August 31, 2001	New issuance of Shares	99,000,000	100,000,000
April 2, 2002	Consideration to purchase assets from Acer	400,000,000	500,000,000
July 1, 2002	New issuance of Shares	300,000,000	800,000,000
March 21, 2003	Issuance of employee stock option	9,962,000	809,962,000
August 12, 2003	Issuance of employee stock option	1,835,000	811,797,000
November 7, 2003	New issuance of Shares and issuance of employee stock option	59,128,100	870,925,100
April 7, 2004	Issuance of employee stock option	11,474,000	882,399,100
September 23, 2004	New issuance of Shares and issuance of employee stock option	66,591,955	948,991,055
January 20, 2005	Issuance of employee stock option	323,000	949,314,055
April 15, 2005	Issuance of employee stock option	1,427,000	950,741,055
June 29, 2005	Issuance of employee stock option	7,650,000	958,391,055
October 27, 2005	New issuance of GDR and issuance of employee stock option and issuance of ECB transferred.	182,177,872	1,140,568,927
January 12, 2006	Issuance of employee stock option and issuance of ECB transferred.	37,705,313	1,178,274,240
April 3, 2006	Issuance of employee stock option and issuance of ECB transferred.	18,087,896	1,196,362,136
August 28, 2006	New issuance of Shares	75,994,700	1,272,356,836
August 28, 2007	New issuance of Shares	109,569,234	1,381,926,070

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
July 22, 2008	Issuance of common stocks through private placement	24,000,000	1,405,926,070
September 19, 2008	New issuance of Shares	110,710,639	1,516,636,709
July 30, 2009	New issuance of GDR	150,000,000	1,666,636,709
August 24, 2009	New issuance of Shares	183,979,117	1,850,615,826
February 3, 2010	Issuance of employee stock option	13,653,000	1,864,268,826
April 6, 2010	Issuance of employee stock option	5,525,000	1,869,793,826
May 13, 2010	Issuance of employee stock option	476,000	1,870,269,826
August 27, 2010	New issuance of Shares	93,513,492	1,963,783,318
September 9, 2010	Issuance of employee stock option	350,000	1,964,133,318
November 8, 2010	Issuance of employee stock option	874,000	1,965,007,318
March 25, 2011	Issuance of employee stock option	20,572,000	1,985,579,318
May 5, 2011	Issuance of employee stock option	573,000	1,986,152,318
September 14, 2011	New issuance of Shares and issuance of employee stock option	98,728,916	2,084,881,234
January 10, 2012	Issuance of employee stock option	116,000	2,084,997,234
April 12, 2012	Issuance of employee stock option and issuance of ECB transferred.	8,176,058	2,093,173,292
May 15, 2012	Issuance of employee stock option	842,000	2,094,015,292
August 21, 2012	New issuance of Shares	103,927,865	2,197,943,157
April 10, 2013	Issuance of employee stock option	26,000	2,197,969,157
August 26, 2013	New issuance of Shares and cancellation of treasury stocks.	117,171,125	2,315,140,282
September 13, 2013	Issuance of Restricted Stock Awards to key employees	62,795,000	2,377,935,282

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
November 25, 2013	Issuance of employee stock option	225,000	2,378,160,282
August 25, 2014	New issuance of Shares. Issuance of employee stock option Cancellation of Restricted Stock Awards to key employees	69,439,133	2,447,599,415
November 24, 2014	Issuance of employee stock option	20,668,000	2,468,267,415
August 31, 2015	New issuance of Shares. Cancellation of Restricted Stock Awards to key employees	87,215,013	2,555,482,428

Unit : Shares

Shares Category	Authorized capital				Notes
	Issued shares (note)		Non-issued	Total	
	Listed	Non-listed			
Common shares	2,555,482,428	0	444,517,572	3,000,000,000	Stock option 200,000,000 shares

Note : Issued shares including treasury stock 134,362,100 shares.

#### 4.1.2 Shareholding Structure

Date : April 17, 2016

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	FINI	Treasury Stocks	Total
No. of Shareholders	4	3	268	161,134	761	1	162,171
No. of Shareholding	80,561,443	3,742,965	197,154,506	1,292,672,892	846,988,522	134,362,100	2,555,482,428
Percentage (%)	3.15	0.15	7.71	50.59	33.14	5.26	100.00

### 4.1.3 The Distribution of Shareholdings

Date : April 17, 2016

Category by shareholdings	No. of Shareholders	Number of Shares	Percentage(%)
1 ~ 999	61,611	12,746,850	0.50
1,000 ~ 5,000	60,082	132,559,154	5.19
5,001 ~ 10,000	17,550	119,837,383	4.69
10,001 ~ 15,000	8,968	104,037,079	4.07
15,001 ~ 20,000	3,349	57,683,404	2.26
20,001 ~ 30,000	4,023	94,940,063	3.72
30,001 ~ 50,000	2,872	108,527,630	4.25
50,001 ~ 100,000	1,923	131,427,221	5.14
100,001 ~ 200,000	898	121,690,777	4.76
200,001 ~ 400,000	419	115,453,047	4.52
400,001 ~ 600,000	119	57,859,400	2.26
600,001 ~ 800,000	74	51,561,132	2.02
800,001 ~ 1,000,000	55	48,955,316	1.92
1,000,001 and above	228	1,398,203,972	54.70
Total	162,171	2,555,482,428	100.00

### 4.1.4 The List of Major Shareholders

Date : April 17, 2016

Name	Shares Number	Percentage(%)
GMO Emerging Markets Fund	56,957,589	2.23
Acer Incorporated	50,218,376	1.97
Management Board of Public Service Pension Fund	47,696,252	1.87
Bank SinoPac Trust Account	39,756,000	1.56
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	39,545,968	1.55
Kuo, Su-Mei	31,695,766	1.24
Lin, Jen-Mei	31,695,766	1.24
Life Insurance Company Limited	30,807,791	1.21
Huang, Mei-Fen	30,554,273	1.20
Lin, Hsien-Ming	30,507,109	1.19

**4.1.5 Market Price Per Share, Net Value, Earnings & Dividends For Latest Two Years**

Unit : NT\$

Item		Period	2014	2015
Market Price Per Share	Highest		35.40	30.85
	Lowest		24.40	12.05
	Average		28.07	22.20
Net Value Per Share	Before Distribution		28.38	28.45
	After Distribution		26.78	-
Earnings Per Share	Weighted Average Share Numbers (thousand shares)		2,381,456	2,438,906
	Earnings Per Share	Current	1.50	0.55
		Adjusted	1.46	-
Dividend Per Share	Cash Dividend (NT\$)		1.2	1.2
	Stock Dividend	Retained Earning (%)	0.3	0.3
		Capital Surplus (%)	0	0
	Accumulated unpaid dividends		0	0
Return on Investment Analysis	P/E Ratio		18.71	40.36
	P/D Ratio		23.39	18.50
	Cash Dividend Yield		4.28%	5.41%

**4.1.6 Dividend Policy**

(1) If the Company has profit as a result of the yearly accounting closing, 10% of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reversed special reserve, shall be set aside (hereinafter referred to as “profit from the current year”), along with any undistributed profits accumulated from previous years to be identified as profits to be distributed, in accordance with the Securities and Exchange Act. The balance, if any, will be distributed in accordance with the following:

- A. No less than 5 percent of profit from the current year as employees’ bonus shall be included; where such bonus is distributed by shares, employees of controlled companies, with qualifications set by the Board of Directors;
- B. One percent (1%) of profit from the current year as the remuneration in cash to the Directors
- C. The rest as working capital of the Company and not less than ten percent (10%) of profit from the current year distributed as dividends to shareholders.

- (2) In accordance with the amendment of Company Act, the Company has approved the amendment to “Article of Incorporation” by Board of Directors on March 25, 2016, and will submit to discuss in shareholders’ meeting.

If the Company has net profit as a result of the yearly accounting closing, the Company shall first offset its losses in previous years and set aside a legal capital reserve at ten percent (10%) of the net profit, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge, then appropriate not less than ten percent (10%) of the remaining balance plus undistributed earnings in begin of period are available for distribution as dividends to shareholders. The board of directors may propose the distribution for approval in the shareholders’ meeting.

- (3) In consideration that the Company is in a capital and technology-intensive industry and in consideration of the Company’s expansion and for its continual and steady growth, a long-term investment plan needs to be adopted, therefore, the Company adopts the residual dividend policy as its dividend policy. Dividends paid by cash shall not be less than ten percent (10%) of the total dividends.

#### **4.1.7 Dividend Distribution Plan that is Proposed to be Resolved in This General Shareholders’ Meeting**

The Board adopted a proposal for 2015 profit distribution at its quarterly meeting on March 25, 2016. The proposed profit distribution will take effect upon the approval of shareholders at the Annual Shareholders’ Meeting on June 15, 2016.

#### **Proposal for Distribution of 2015 Profits**

Unit : NT\$

<b>Undistributed Surplus at the Beginning of the year</b>		<b>12,634,155,066</b>
Plus(Minus) :		
Influence of the adoption of IFRSs (Actuarial losses)	(241,103,929)	
Remeasurements of the defined benefit liability	(100,130,345)	
Decrease in unappropriated earnings resulting from equity-accounted investees	(3,684,025)	
Changes in ownership interest of subsidiaries	(16,836,876)	
Net Income After Tax	1,334,094,188	
Minus :		
Legal Reserve	(133,409,419)	
Plus :		
Reversal in Special Reserve	1,394,276,792	
<b>Distributable Earnings</b>		<b>14,867,361,452</b>
Distribution Items :		
Stock Dividends to Common Shareholders	(726,336,100)	
Cash Dividends to Common Shareholders	(2,905,344,394)	(3,631,680,494)
<b>Undistributed Earnings at the end of the Period</b>		<b>11,235,680,958</b>

**4.1.8 Bonuses to Employees and Remunerations to Directors,**

(1) According to the Company's Articles of Incorporation, when allocating net profits for each fiscal year, the Company, after setting aside regulatory-required legal reserves, shall set aside 1% of profit from the current year as cash remuneration for directors, and not less than 5% of profit from the current year as bonus to employees of the Company.

(2) But in accordance with the amendment of Company Act, the Company has approved the amendment to "Article of Incorporation" by Board of Directors on March 25, 2016, and will submit to discuss in shareholders' meeting.

If the Company has profit as a result of the yearly accounting closing (profit means the profit before tax, excluding the amounts of employees' and directors' compensation), such profit will be distributed in accordance with the following, once the Company's accumulated losses shall have been covered.

A. No less than five percent (5%) of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive compensation shall be determined by the Board of Directors.

B. No more than one percent (1%) of profit as the compensation in cash to the Directors.

(3) The Board of Directors resolved the employees' and directors' compensation of 2015 as follows:

A. NT\$ 496,015,380 as stock employees' compensation, NT\$ 24,565,050 as compensation to directors.

B. The employees' compensation of NT\$ 496,015,380 in 2015 will be distributed by shares. The numbers of issued shares with NT\$10 per share were 24,020,115 shares, which were calculated based on the closing price, NT\$20.65, prior to the board resolution date. Employees' compensation of less than one share, equivalent to NT\$5, shall be distributed in cash.



## (4) The Bonuses to Employees and Remunerations to Directors in 2014 :

	2014			
	Board Resolution	Actual Result(Note)		
	Amount(NT\$)	Amount(NT\$)	Underlying Number of Shares	Dilution(%)
Employee Profit Sharing in Cash	0	0	-	-
Employee Profit Sharing in Stock	691,782,370	691,782,370	33,067,990	1.32
Remunerations to Directors	46,149,591	46,149,591	-	-
Total	737,931,961	737,931,961	-	-

Note : Each of the above three items, being approved by the Board, has been expensed at the same amount under the Company's 2014 income statements.

**4.1.9 Treasury Stocks:**

As of 03/31/2016

Treasury stocks : Batch Order	1st of 2015	2nd of 2015
Purpose of buy-back	To transfer to employees.	To transfer to employees.
Timeframe of buy-back	2015/05/15~2015/07/14	2015/08/27~2015/10/21
Price range	NT\$23 to NT\$39 per share	NT\$12 to NT\$23 per share
Class, quantity of shares bought back	60,000,000	80,000,000
Value of shares bought-back	NT\$ 1,412,269,403	NT\$ 1,308,914,006
Shares sold/transferred	-	5,637,900
Accumulated number of company shares held	60,000,000	134,362,100
Percentage of total company shares held (%)	2.35	5.26

## 4.2 Issuance of Corporate Bonds

The Overseas Unsecured Convertible Bonds has been redeemed by the issuer at the maturity date, January 19, 2015.

## 4.3 GDR Issuance: Issuance of Global Depository Shares

Date : April 30, 2015

<b>Date of Issuance</b>	September 22, 2005	June 19, 2009	
<b>Issuance and Listing</b>	Luxembourg Stock Exchange		
<b>Total Amount</b>	US\$ 233,620,000	US\$ 223,500,000	
<b>Offering Price per GDS</b>	US\$ 9.3448	US\$14.9	
<b>Units Issued</b>	42,434,523 units		
<b>Underlying Securities</b>	424,345,268 shares		
<b>Common Shares Represented</b>	424,345,268 shares		
<b>Rights and Obligations of GDS Holders</b>	Same as those of Common Share Holders		
<b>Trustee</b>	Not Applicable		
<b>Depository Bank</b>	Citibank, N.A.-New York		
<b>Custodian Bank</b>	First Commercial Bank Co. Ltd.		
<b>GDSs Outstanding</b>	29,421 units		
<b>Apportionment of expenses for the issuance and maintenance</b>	All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDSs were borne by Wistron and the selling shareholders, while maintenance expenses such as annual listing fees were borne by Wistron.		
<b>Terms and Conditions in the Deposit Agreement and Custody Agreement</b>	See Deposit Agreement and Custody Agreement for Details		
<b>Closing Price per GDS</b>	<b>2015</b>	<b>High</b>	US\$ 9.65
		<b>Low</b>	US\$ 3.81
		<b>Average</b>	US\$ 7.10
	<b>01/01/2016~ 03/31/2016</b>	<b>High</b>	US\$ 7.10
		<b>Low</b>	US\$ 4.84
		<b>Average</b>	US\$ 5.76

## 4.4 Employee Stock Options:None

## 4.5 Implementation of the Company's Fund Raising and Utilization: None

# **5. Financial Standing**

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## 5.1 Most Recent 5-Year Concise Financial Information

### 5.1.1 Most Recent 5-Year Concise Consolidated Balance Sheet and Consolidated Statement of Comprehensive income

#### Concise Consolidated Balance Sheet

Unit : NT\$ thousands

Item		Period	Most recent 5-Year Financial Information				
			2011	2012	2013	2014	2015
Current assets			-	220,015,869	216,306,422	241,405,603	232,090,337
Net property, plant and equipment			-	34,164,424	35,928,027	39,255,705	37,676,747
Intangible assets			-	1,585,351	1,677,975	1,546,839	2,016,785
Other assets			-	17,325,469	16,629,350	17,361,776	18,601,175
Total assets			-	273,091,113	270,541,774	299,569,923	290,385,044
Current Liabilities	Before Distribution		-	194,863,734	168,348,939	202,857,866	199,844,353
	After Distribution		-	198,137,501	172,629,627	205,819,787	-
Non-current liabilities			-	16,299,702	35,996,817	26,704,961	21,323,478
Total Liabilities	Before Distribution		-	211,163,436	204,345,756	229,562,827	221,167,831
	After Distribution		-	214,437,203	208,626,444	232,524,748	-
Equity attributable to owners of the Company			-	61,922,146	66,186,949	69,799,674	68,715,506
Common stock			-	21,979,432	23,781,603	24,682,674	25,554,824
Capital surplus			-	19,399,395	19,651,679	20,441,985	20,707,328
Retained Earnings	Before Distribution		-	25,222,174	26,072,342	24,651,335	22,162,377
	After Distribution		-	20,857,152	21,316,022	20,948,934	-
Other equity			-	(3,901,320)	(3,318,675)	23,680	3,012,160
Treasury stock			-	(777,535)	-	-	(2,721,183)
Non-controlling interests			-	5,531	9,069	207,422	501,707
Stockholders' Equity	Before Distribution		-	61,927,677	66,196,018	70,007,096	69,217,213
	After Distribution		-	58,653,910	61,915,330	67,045,175	-

### Concise Consolidated Statement of Comprehensive income

Unit : NT\$ thousands

	Most Recent 5-Year Financial Information				
	2011	2012	2013	2014	2015
Operating revenue	-	657,844,636	624,009,073	592,346,734	623,273,988
Gross profit	-	29,799,549	30,203,051	31,117,158	29,416,236
Operating income	-	8,233,371	6,085,926	3,765,877	2,389,705
Non-operating income and expenses	-	1,544,738	1,829,261	1,078,380	(19,340)
Profit before tax	-	9,778,109	7,915,187	4,844,257	2,370,365
Net income for continuing operations	-	7,249,876	5,754,728	3,590,848	1,270,895
Income from discontinued operations, net of income tax effect	-	-	-	-	-
Net income	-	7,249,876	5,754,728	3,590,848	1,270,895
Other comprehensive income for the year, net of tax	-	(1,901,515)	1,134,976	3,090,018	2,601,852
Total comprehensive income for the year	-	5,348,361	6,889,704	6,680,866	3,872,747
Profit attributable to owners of the Company	-	7,255,380	5,751,341	3,580,393	1,334,094
Profit attributable to non-controlling interests	-	(5,504)	3,387	10,455	(63,199)
Total comprehensive income attributable to owners of the Company	-	5,353,865	6,886,361	6,666,944	3,933,920
Total comprehensive income attributable to non-controlling interests	-	(5,504)	3,343	13,922	(61,173)
EPS	-	3.17	2.45	1.46	0.55

**5.1.2 Most Recent 5-Year Concise Balance Sheet and Statement of Comprehensive income****Concise Balance Sheet**

Unit : NT\$ thousands

Item		Period	Most recent 5-Year Financial Information				
			2011	2012	2013	2014	2015
Current assets			-	129,347,640	130,837,993	160,982,907	199,767,923
Net property, plant and equipment			-	7,245,970	7,233,232	6,252,270	5,769,852
Intangible assets			-	1,536,237	1,547,588	1,353,840	1,220,953
Other assets			-	61,487,457	67,532,931	74,660,866	79,019,286
Total assets			-	199,617,304	207,151,744	243,249,883	285,778,014
Current Liabilities	Before Distribution		-	122,137,234	105,696,796	146,905,437	196,060,111
	After Distribution		-	125,411,001	109,977,484	149,867,358	-
Non-current liabilities			-	15,557,924	35,267,999	26,544,772	21,002,397
Total Liabilities	Before Distribution		-	137,695,158	140,964,795	173,450,209	217,062,508
	After Distribution		-	140,968,925	145,245,483	176,412,130	-
Common stock			-	21,979,432	23,781,603	24,682,674	25,554,824
Capital surplus			-	19,399,395	19,651,679	20,441,985	20,707,328
Retained Earnings	Before Distribution		-	25,222,174	26,072,342	24,651,335	22,162,377
	After Distribution		-	20,857,152	21,316,022	20,948,934	-
Other equity			-	(3,901,320)	(3,318,675)	23,680	3,012,160
Treasury stock			-	(777,535)	-	-	(2,721,183)
Stockholders' Equity	Before Distribution		-	61,922,146	66,186,949	69,799,674	68,715,506
	After Distribution		-	58,648,379	61,906,261	66,837,753	-

### Concise Statement of Comprehensive income

Unit : NT\$ thousands

	Most Recent 5-Year Financial Information				
	2011	2012	2013	2014	2015
Operating revenue	-	598,758,593	539,784,508	546,645,407	585,799,180
Gross profit	-	22,527,483	23,256,623	23,433,554	20,848,113
Operating income	-	5,700,657	4,726,777	4,423,866	1,803,792
Non-operating income and expenses	-	3,025,580	2,650,126	140,869	156,945
Profit before tax	-	8,726,237	7,376,903	4,564,735	1,960,737
Net income for continuing operations	-	7,255,380	5,751,341	3,580,393	1,334,094
Income from discontinued operations, net of income tax effect	-	-	-	-	-
Net income	-	7,255,380	5,751,341	3,580,393	1,334,094
Other comprehensive income for the year, net of tax	-	(1,901,515)	1,135,020	3,086,551	2,599,826
Total comprehensive income for the year	-	5,353,865	6,886,361	6,666,944	3,933,920
EPS	-	3.17	2.45	1.46	0.55

**5.1.3 Most Recent 5-Year Concise Balance Sheet and Income Statement-ROC GAAP****Concise Balance Sheet -ROC GAAP**

Unit : NT\$ thousands

Item		Period	Most recent 5-Year Financial Information				
			2011	2012	2013	2014	2015
Current assets			141,272,625	129,694,808	-	-	-
Fund and Long-term equity investments			49,761,944	59,131,141	-	-	-
Net property, plant and equipment			8,174,216	8,207,446	-	-	-
Intangible assets			1,649,625	1,536,237	-	-	-
Other assets			450,877	454,547	-	-	-
Total assets			201,309,287	199,024,179	-	-	-
Current Liabilities	Before Distribution		136,665,831	122,466,891	-	-	-
	After Distribution		141,238,657	125,740,658	-	-	-
Long-term liabilities			0	11,024,524	-	-	-
Other liabilities			3,093,685	3,540,224	-	-	-
Total Liabilities	Before Distribution		139,759,516	137,031,639	-	-	-
	After Distribution		144,332,342	140,305,406	-	-	-
Common stock			20,849,972	21,979,432	-	-	-
Capital surplus			19,232,167	19,536,225	-	-	-
Retained Earnings	Before Distribution		24,042,857	25,097,183	-	-	-
	After Distribution		18,430,752	20,732,161	-	-	-
Unrealized gain (loss) of financial instruments			(172,407)	(269,282)	-	-	-
Translation adjustments and other equity adjustment			(1,441,163)	(3,278,911)	-	-	-
Unrecognized pension cost			(178,336)	(294,572)	-	-	-
Stockholders' Equity	Before Distribution		61,549,771	61,992,540	-	-	-
	After Distribution		56,976,945	58,718,773	-	-	-



**Concise Income Statement-ROC GAAP**

Unit : NT\$ thousands

5 | Financial Standing

	Most Recent 5-Year Financial Information				
	2011	2012	2013	2014	2015
Operating revenue	586,477,183	598,758,593	-	-	-
Gross profit	24,470,021	24,598,899	-	-	-
Operating income	5,941,154	5,674,337	-	-	-
Non operating income	5,008,875	3,489,762	-	-	-
Non operating expense	(762,099)	(1,036,290)	-	-	-
Income from continuing operations before income taxes	10,187,930	8,127,809	-	-	-
Net income for continuing operations	9,065,028	6,666,431	-	-	-
Income from discontinued operations, net of income tax effect	0	0	-	-	-
Extraordinary gain (loss)	0	0	-	-	-
Translation adjustments and other equity adjustment	0	0	-	-	-
Net income	9,065,028	6,666,431	-	-	-
EPS	4.15	3.06	-	-	-

**5.1.4 CPAs and Their Opinions for Most Recent 5-Year**

Year	Name of CPA	Auditor's Opinion
2011	Ya-Ling, Chen, Shu-Yu, Lin	Unqualified opinion
2012	Ya-Ling, Chen, Shu-Yu, Lin	Unqualified opinion
2013	Ya-Ling, Chen, Shu-Yu, Lin	Unqualified opinion
2014	Ya-Ling, Chen, Chia-Hsin, Chang	Unqualified opinion
2015	Ya-Ling, Chen, Chia-Hsin, Chang	Unqualified opinion

## 5.2 Most Recent 5-Year Financial Analysis

### 5.2.1 Financial Analysis-For Consolidated Report

Item		Period	Most recent 5-Year Financial Information				
			2011	2012	2013	2014	2015
Financial ratio (%)	Total liabilities to total assets	-	77.32	75.53	76.63	76.16	
	Long-term debts to Net property, plant and equipment	-	228.97	284.44	246.36	240.31	
Ability to payoff debt (%)	Current ratio	-	112.91	128.49	119.00	116.14	
	Quick Ratio	-	87.93	96.75	80.98	81.13	
	Interest protection	-	6.27	4.92	3.02	2.27	
Ability to operate	A/R turnover (times)	-	6.27	6.94	6.35	6.50	
	A/R turnover days	-	58.18	52.58	57.48	56.19	
	Inventory turnover (times)	-	14.67	12.34	9.07	8.40	
	Account payable turnover (times)	-	5.64	5.94	5.42	5.57	
	Days sales outstanding	-	24.88	29.57	40.24	43.45	
	Fixed assets turnover (times)	-	21.58	17.81	15.76	16.20	
	Total assets turnover (times)	-	2.49	2.30	2.08	2.11	
Earning ability	Return on assets (%)	-	3.33	2.73	1.89	0.90	
	Return on equity (%)	-	11.82	8.98	5.27	1.83	
	PBT to pay-in capital	-	44.49	33.28	19.63	9.28	
	Net income ratio (%)	-	1.10	0.92	0.61	0.20	
	EPS(NTD)	-	3.17	2.45	1.46	0.55	
Cash flow (%)	Cash flow ratio	-	6.21	5.43	(Note 7)	7.88	
	Cash flow adequacy ratio	-	59.80	58.87	28.79	43.58	
	Cash reinvestment ratio	-	7.52	4.56	(Note 7)	10.18	
Leverage	Operating leverage	-	2.67	3.49	5.17	7.75	
	Financial leverage	-	1.29	1.50	2.75	4.53	

Note :

1. Financial Ratio

- (1) Total liabilities to Total assets = Total liabilities / Total assets  
 (2) Long-term fund to property, plant and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment

2. Ability to Pay off Debt

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

3. Ability to Operate

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

4. Earning Ability

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

5. Cash Flow

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

6. Leverage

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

7. The analysis of negative cash flow from operating activities is meaningless.

**5.2.2 Financial Analysis-For Parent-company-only**

Item		Period	Most recent 5-Year Financial Information				
			2011	2012	2013	2014	2015
Financial ratio (%)	Total liabilities to total assets	-	68.98	68.05	71.31	75.95	
	Long-term debts to Net property, plant and equipment	-	1069.28	1402.62	1540.97	1554.94	
Ability to payoff debt(%)	Current ratio	-	105.9	123.79	109.58	101.89	
	Quick Ratio	-	100.87	116.94	101.23	96.83	
	Interest protection	-	7.30	6.07	3.51	2.68	
Ability to operate	A/R turnover (times)	-	5.60	5.43	4.67	4.05	
	A/R turnover days	-	65.19	67.16	78.21	90.15	
	Inventory turnover (times)	-	90.40	84.70	60.90	55.84	
	Account payable turnover (times)	-	8.00	8.60	7.14	5.03	
	Days sales outstanding	-	4.04	4.31	5.99	6.54	
	Fixed assets turnover (times)	-	81.87	74.56	81.07	97.45	
	Total assets turnover (times)	-	2.99	2.65	2.43	2.21	
Earning ability	Return on assets (%)	-	4.19	3.42	2.26	0.87	
	Return on equity(%)	-	11.82	8.98	5.27	1.93	
	PBT to pay-in capital	-	39.70	31.02	18.49	7.67	
	Net income ratio(%)	-	1.21	1.07	0.65	0.23	
	EPS (NTD)	-	3.17	2.45	1.46	0.55	
Cash flow (%)	Cash flow ratio	-	(Note 7)	5.01	(Note 7)	18.02	
	Cash flow adequacy ratio	-	55.22	43.49	10.54	112.27	
	Cash reinvestment ratio	-	(Note 7)	1.76	(Note 7)	30.64	
Leverage	Operating leverage	-	3.26	4.00	4.05	9.00	
	Financial leverage	-	1.32	1.44	1.70	2.84	

Note :

1. Financial Ratio

- (1) Total liabilities to Total assets = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment

2. Ability to Pay off Debt

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

3. Ability to Operate

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

4. Earning Ability

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

5. Cash Flow

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

6. Leverage

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

7. The analysis of negative cash flow from operating activities is meaningless.

**5.2.3 Financial Analysis-ROC GAAP**

Item		Period	Most recent 5-Year Financial Information					
			2011	2012	2013	2014	2015	
Financial ratio (%)	Total liabilities to total assets		69.43	68.85	-	-	-	
	Long-term debts to fixed assets		752.97	889.64	-	-	-	
Ability to payoff debt (%)	Current ratio		103.37	105.90	-	-	-	
	Quick Ratio		97.24	99.08	-	-	-	
	Interest protection		17.14	9.07	-	-	-	
Ability to operate	A/R turnover (times)		5.28	5.60	-	-	-	
	A/R turnover days		69	65	-	-	-	
	Inventory turnover (times)		126.02	90.08	-	-	-	
	Account payable turnover (times)		7.38	7.97	-	-	-	
	Days sales outstanding		3	4	-	-	-	
	Fixed assets turnover (times)		71.75	72.95	-	-	-	
	Total assets turnover (times)		2.91	3.01	-	-	-	
Earning ability	Return on assets(%)		5.05	3.74	-	-	-	
	Return on equity (%)		15.31	10.79	-	-	-	
	To pay-in capital (%)	Operating income		28.49	25.82	-	-	-
		PBT		48.86	36.98	-	-	-
	Net income ratio (%)		1.55	1.11	-	-	-	
	EPS (NTD)		4.15	3.06	-	-	-	
Cash flow (%)	Cash flow ratio		2.86	(Note 7)	-	-	-	
	Cash flow adequacy ratio		36.27	52.49	-	-	-	
	Cash reinvestment ratio		(Note 7)	(Note 7)	-	-	-	
Leverage	Operating leverage		3.10	3.28	-	-	-	
	Financial leverage		1.11	1.21	-	-	-	

Note :

1. Financial Ratio

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

2. Ability to Pay off Debt

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

3. Ability to Operate

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

4. Earning Ability

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

5. Cash Flow

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

6. Leverage

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

7. The analysis of negative cash flow from operating activities is meaningless.

### **5.3 Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Wistron's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron Corporation

Convener of the Audit Committee :

*Kuo-Chih Tsai*

Mar 25, 2016

#### **5.3.1 Audit Committee**

The Audit Committee is composed of all of the five Independent Directors, with one financial expert. Before the Board meetings, the Audit Committee holds meetings regularly at least once each quarter to examine the Company's internal control systems, internal audit executions, as well as material financial activities; also to communicate with CPAs for an effective supervision on the company's operations and risk controls. A total of nine (A) Audit Committee meetings were held in 2015. The Independent Director's participation status is as follows :

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate in Person (%) (B/A)	Remarks
Chair	Michael Tsai	9	0	100	-
Member	James K.F. Wu	9	0	100	Financial Expert
Member	Victor C.J. Cheng	7	2	78	-
Member	John Hsuan	7	2	78	-
Member	Duh-Kung Tsai	8	1	89	-

Note: The Third Audit Committee was established on June 26, 2015.



Annotations :

- (1) Any action regulated by Securities and Exchange Act §14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead in 2015: NIL
- (2) Any recusal of Independent Directors due to conflict of interests in 2015 : NIL
- (3) Communications of Independent Directors with internal auditors, and CPAs in 2015 :
  - A. The internal auditors present the audit reports to the members of the Audit Committee periodically, and report the findings in the meetings of the Audit Committee; immediate discussions and communications were held if any questions/concerns is raised by the independent directors. The communication between the independent directors and the internal auditors works well.
  - B. In the Audit Committee meetings the CPAs present the findings of their quarterly review/ audits on the Company's financial reports, and communicate with independent directors for the applicable laws and regulations. The communication between the independent directors and the CPAs also works well.
- (4) The key topics covered in the Audit Committee discussions :
  - A. The latest changes of regulations and its applications.
  - B. Review/audit on financial reports (quarterly, annual).
  - C. Financial reports.
  - D. Audit reports of previous quarter and audit highlights of next quarter.
  - E. Material Investment or Assets Acquisition and Disposal.
  - F. Other relative issues.

If necessary, the Audit Committee will invite the departmental head in charge to participate in the discussion. And the General Auditor presents the meeting resolutions to the Board for further instructions.

**5.3.2 Board meeting attendance:**

The Board meetings held ten times in 2015.

Title	Name	Attendance	Proxy	Attendance%	Note
Chairman	Simon Lin	10	0	100	-
Director	Stan Shih	9	1	90	-
Director	Haydn Hsieh	10	0	100	-
Director	Robert Huang	9	1	90	-
Independent Director	John Hsuan	8	2	80	-
Independent Director	Michael Tsai	10	0	100	-
Independent Director	James K.F. Wu	10	0	100	-
Independent Director	Duh-Kung Tsai	8	2	80	-
Independent Director	Victor C.J. Cheng	8	2	80	-

**5.3.3 Compensation Committee composition, responsibilities and operation:**

On July 20, 2015, Wistron's Board of Directors made a resolution to set up the third session of Compensation Committee. The Committee is composed of three members: Independent Director, Mr. John Hsuan; Independent Director, Mr. Michael Tsai; and Independent Director, Mr. Duh-Kung Tsai. Among the Committee members, Mr. John Hsuan was unanimously elected by the entire Committee members to serve as the convener and meeting chair.

Wistron's Compensation Committee is given the authority to establish and review compensation policies for the Company's directors and senior management. The policies are linked with the Company's performance and goals, designed to recruit and retain high quality personnel and enhance competitiveness.

The Committee conducted five meetings in 2015 and the Committee members' attendance status is as below :

Title	Name	Attendance in Person	Proxy Attendance	Rate of Attendance in Person (%)	Note
Chair	John Hsuan	4	1	80	-
Member	Michael Tsai	5	0	100	-
Member	Duh-Kung Tsai	4	1	80	-

# 6. Financial Analysis

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**6.1 2015 vs. 2014 financial analysis**

Unit : NT\$ thousands

Item	Year	2015.12.31	2014.12.31	Difference	
				Amount	%
Current assets		232,090,337	241,405,603	-9,315,266	-3.86
Net property, plant and equipment		37,676,747	39,255,705	-1,578,958	-4.02
Intangible assets		2,016,785	1,546,839	469,946	30.38
Other assets		18,601,175	17,361,776	1,239,399	7.14
Total assets		290,385,044	299,569,923	-9,184,879	-3.07
Current liabilities		199,844,353	202,857,866	-3,013,513	-1.49
Non-current liabilities		21,323,478	26,704,961	-5,381,483	-20.15
Total liabilities		221,167,831	229,562,827	-8,394,996	-3.66
Common stock		25,554,824	24,682,674	872,150	3.53
Capital surplus		20,707,328	20,441,985	265,343	1.30
Un-appropriated earnings		22,162,377	24,651,335	-2,488,958	-10.10
Other equity		3,012,160	23,680	2,988,480	12620.27
Treasury stock		-2,721,183	-	-2,721,183	-
Equity attributable to owners of the company		68,715,506	69,799,674	-1,084,168	-1.55
Total equity		69,217,213	70,007,096	-789,883	-1.13

**6.1.1. Analysis for asset, liability and stockholders' equity balance change more than 20%, and the changed amount are more than NT\$10,000K:**

- (1) The increase in Intangible assets was mainly due to increase in customer relationships and Goodwill arising from the acquisition.
- (2) The decrease in non-current liabilities was mainly due to a portion of long-term borrowings.
- (3) The increase in other equity was mainly due to increase in exchange differences on translation of foreign financial statements.

## 6.2. 2015 vs. 2014 operating result analysis

Unit : NT\$ thousands

Item \ Year	2015	2014	Increasing (decreasing) amount	Change percentage (%)
Net revenues	623,273,988	592,346,734	30,927,254	5.22%
Cost of sales	-593,857,752	-561,229,576	-32,628,176	5.81%
Gross profit	29,416,236	31,117,158	-1,700,922	-5.47%
Operating expenses	-27,026,531	-27,351,281	324,750	-1.19%
Operating income	2,389,705	3,765,877	-1,376,172	-36.54%
Non-operating income and expenses	-19,340	1,078,380	-1,097,720	-101.79%
Income before income taxes	2,370,365	4,844,257	-2,473,892	-51.07%
Income tax expenses	-1,099,470	-1,253,409	153,939	-12.28%
Net income	1,270,895	3,590,848	-2,319,953	-64.61%
Net income attributable to shareholders of the parent	1,334,094	3,580,393	-2,246,299	-62.74%

### 6.2.1 Analysis for change item amount change more than 20%:

- (1) Decrease in operating income: The decrease was mainly due to increase of operating expenses higher than the increase in gross profit.
- (2) Decrease in non-operating income and expenses: The decrease was mainly due to disposal of property plant and equipment.
- (3) Decrease in income before income taxes : The decrease was mainly due to the decrease of operating income.
- (4) Decrease in net income and net income attributable to shareholders of the parent: The decrease was mainly due to decrease in operating income.

### 6.2.2 Year 2016 sales quantity projection and its reasons:

Unit : pcs

Product	Quantity
Notebook PC	19,000,000
Desktop PC	13,000,000
Display Products	11,000,000
Others	12,500,000
Total	55,500,000

Information and communication industry expects to have sustained growths in 2016 outlook. The above annual sales projection is based on industry related information and the Company's business plan and sales trend.

**6.2.3 Sales projection impact on financing and planned action:**

As the company's businesses are growing quickly and steadily, depending on market situation, Wistron plans to use diversified financial tools to meet the increasing fund needs for capital expenditures and working capital period.

**6.3 Cash flow analysis:**

- (1) Operating Activities : Cash flow-in of NT\$ 15,745M was mainly caused by the working capital.
- (2) Investing Activities : Cash flow-out of NT\$ 6,524M was mainly caused by fix asset acquisition and incremental other assets.
- (3) Financing Activities : Cash flow-out of NT\$ 7,937M was mainly caused by the decrease in long-term borrowings.

**6.3.1 Cash flow forecast in 2016**

Unit : NT\$ thousands

Cash beginning balance	Cash flow from operating activities	Cash flow-in (out)	Cash ending balance (shortage)	Plan for cash ending balance shortage	
				Investment plan	Financing plan
58,559,754	5,645,473	2,614,460	61,174,214	-	-

- (1) Operating Activities : Cash flow-in is mainly due to the growth in estimated operating income of 2016.
- (2) Investing Activities : Cash flow-out is mainly due to potential expansion of Wistron's invested companies' and subsidiaries' operation and business scale.

**6.4. Major Capital Expenditures and Impact on Financial and Business****6.4.1 Major Capital Expenditure and Sources of Funding**

Unit : NT\$ thousands

Plan	Actual or planned source of capital	Total amount as of Dec 31, 2015	Status of Actual Use of Capital	
			2014	2015
Production facilities and Equipment	Cash Flow generated from operation	9,493,102	5,708,441	3,784,661

### **6.4.2 Expected Future Benefits:**

The above capital expenditure aims to align the plan of the company's business growth, to expand capacity and to enhance productivity.

### **6.5 Investment Policies:**

The company's investments are long-term strategic investments. In 2015, the investment gain from equity method investment was NT\$ 200,797 thousand. To improve the competitiveness, the company will continuously focus on its long-term strategic investments through prudent assessment.

## **6.6. Risk Management**

### **6.6.1. How does interest rate, exchange rate, or inflation influence Company's profit and loss, and how to manage such risks?**

Items	2014 (in thousand NT dollars)	2015 (in thousand NT dollars)
Interest Income	2,951,969	1,609,279
Interest Expense	2,398,574	1,862,359
Exchange loss/gain	313,167	672,057

By the end of 2015, the cash and short-term investment balance of the Company totaled about NT\$58.8 billion with short term borrowings about NT\$77.0 billion. We reinvested the surplus funds after considerable evaluation of risks involved, while watching closely the change of bank lending rates on a regular basis.

Around 95% of the Company's revenue from sales was quoted in U.S. dollars, and most of the Company's material purchases use U.S. dollars as well. Therefore, the majority of Company's foreign currency operating exposure can be mutually offset. In addition, the Company has used regular hedge activities to manage its foreign exchange risk, under proper risk management guidelines. Due to the fluctuation of the foreign exchange rate and the swaps, the Company experienced a foreign exchange gain of NT\$672,057 thousands last year.

There was no major inflation around the world during the past year and the Company has not experienced much in this regard.

The action plans to cope with impacts from interest rates, exchange rates and inflation are:

- (1) Further mutually offset foreign assets and liabilities to avert risk.
- (2) Make plans and arrangements in advance for funds yields and borrowing costs, in light of the company's business anticipation and funds requirements.
- (3) Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

**6.6.2. What is the Company's policy to make high risk or leveraged investment, make a loan, make a guarantee or buy derivatives? And what are the reasons of gain or loss and what are the future plans?**

The Company has not performed any high-risk or highly leveraged investments for the past year. And the Company has not loaned funds and endorsed or guaranteed for any parties other than the subsidiaries wholly-owned by the Company, and no loss has incurred. The Company performed derivatives transactions under the related regulations of the Company, and the transactions were within our business scope.

Looking ahead, the Company will adhere to its existing principle, and not make high-risk and highly leveraged investments. We will only loan to other parties, endorse and guarantee for other parties under the Company's applicable regulations. The derivatives transactions will be performed strictly in compliance with the Derivatives Transaction Procedures set forth by the Company.

**6.6.3 Future R&D Development Plan and Investment:**

All R&D plans for 2015 have been implemented and put in use in volume production or have been submitted to the customers for verification after internal testing. We will continue to invest on R&D for 2016 to meet business growth needs. The investment ratio will be almost the same as in 2015.

**6.6.4 The Impact of Law and Regulation Changes on the Company's Financial Performance:**

We have taken proactive measures to protect our financial performance against law and regulation changes.

**6.6.5 Impact of Technological and Industrial Changes on the Company's Financial Performance:**

To react to the gross margin drop resulting from fiercer market competition, we will enhance the competitiveness of existing businesses, such as advance product functionality, lower production costs and exert strict control over operation costs. In addition, we will enhance the value and momentum of innovation by developing the new opportunities for other technology service related businesses.

**6.6.6 Impact of Corporate Image Change on Our Risk Management and the Action Plan:**

The most important factor of the Company's image is its integrity. Integrity is the fundamental principal in both our corporate culture and regulations, and has obtained recognition from the general public. Adhering to the integrity principle is beneficial to our risk management.

**6.6.7 Expected gains and possible risks relative to acquisitions, and the solution:**

No acquisitions occurred in 2015.

**6.6.8 Expected Benefits and Risks Related to Plant Facility Expansions:**

Feasibility study and financial analysis will be conducted by a designated task force for all plant facility expansions to know all scenarios and proper countermeasures to prepare.



**6.6.9. Supply and Distribution Concentration:**

Except 100% owned subsidiaries, no concentration risk pertaining to the suppliers and customers.

**6.6.10. How shares transfer made by directors, supervisors or shareholders with 10% or more shareholdings affect Company?**

Not applicable.

**6.6.11 Impact of Management Change on the Company and Action Plans:**

The company has a very healthy shareholder's structure: 33.14% stock shares are held by foreign investors, 11.01% by domestic institutional investors, 5.26% by treasury shares. They possess around 49.41% in the aggregate. In addition, the healthy shareholding structure of the Company lowers the risk of key management changes. We will do our best effort to improve corporate management to reward our shareholders with better performance. This is the key to our company's sustained development.

**6.6.12 Does the Company or its directors, supervisors, general manager, key managers, shareholders with more than 10% shareholding or subsidiaries have any pending lawsuits or disputes which might significantly affect the shareholders' equity or share prices? If yes, what are the facts, claims, filing date, major parties and status upon publishing of this Report?**

- (1) Cresta Technology filed a patent litigation against the Company in June 2014 in the U.S. International Trade Commission (USITC). The accused products are television tuner related products. In September of 2015, USITC has made a final determination of no violation of section 337 of the Tariff Act. Cresta filed an appeal after the final determination in December 2015.
- (2) In March of 2015, Mondis Technology Ltd. filed an action against the Company in the New York Southern District Court for the monitor royalty payment dispute. The final decision has not been made, and the Company will keep working with its US counsels and defend vigorously.
- (3) In November of 2015, Personalized Media Communications, LLC ("PMC") filed an action against the Company in the United States District Court for the Eastern District of Texas. The accused products are digital television. The final decision has not been made, and the Company will keep working with its US counsels and defend vigorously.

**6.6.13. Other Risks:** None

# **7. Enforcement of Corporate Governance**

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Items	Enforcement		
	Yes	No	
1. Does Company follow “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” to establish and disclose its corporate governance practices?	✓		
2. Shareholding Structure & Shareholders’ Rights			
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	✓		
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		
3. Composition and Responsibilities of the Board of Directors			
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?		✓	

	<b>Enforcement</b>	<b>Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy</b>
	<b>Summary Description</b>	
	Wistron has set up “Corporate Governance Best Practice Principles” by Board of Director meeting on March 25, 2014, and there is no discrepancy between corporate governance principles.	No discrepancy
	<p>(1) Wistron has designated the Shareholder Service Office to handle the shareholders’ proposal and disputes.</p> <p>(2) Wistron holds information on the identities of major shareholders and their ultimate controlling persons.</p> <p>(3) Wistron has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, loaning of funds and the rules governing acquisitions and dispositions of assets etc.</p> <p>(4) Wistron enacted “Regulations on Insider Trading” to prevent any illegal activities in terms of insider trading.</p>	No discrepancy
	<p>(1) Wistron has set the diversification policy of the board of directors in “Corporate Governance Best Practice Principles”. All members of the Board of Directors have professional background (e.g., law, accounting, industry, and finance), professional skills, and industry experience.</p> <p>(2) Wistron may create other functional committees according to the article 12 of Articles of Incorporation,. Except for Audit Committee and Compensation Committee, our Company has set up a Corporate Sustainability and social Responsibility Implementing Committee, which the COO is serving as chairperson of the committee, and will report the implementation status and results to the Board.</p> <p>(3) Wistron does not have the formulate rules and procedures for board of directors performance assessments, we will consult with relevant laws and regulations and industry practice to set up the procedures in the future.</p> <p>But the Company’s Compensation Committee takes all factors such as participation in the operation of the Company, etc. into consideration when conducting evaluation on each Board member.</p>	No discrepancy

Items	Enforcement		
	Yes	No	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		
4. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		
5. Has the Company appointed a professional registrar for its Shareholders' Meetings?		✓	
6. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓ ✓		
7. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		

	<b>Enforcement</b>	<b>Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy</b>
	<b>Summary Description</b>	
	(4) The evaluation of CPA is one of the main duties of the Audit Committee each year. Wistron evaluates the independence of CPA based on KPMG's Statement of Independence and items stated in Certified Public Accountant Act and "Integrity, Objectivity and Independence.", No.10 of "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China".	No discrepancy
	In order to properly respond to various types of stakeholders, the company provides multiple communication channels according to the situation. We have designated a stakeholder section on the corporate website to address our corporate sustainability and social responsibility activities and any other issues.	No discrepancy
	Our Company has designated the Shareholder Service Office to handle the shareholders' proposal and disputes.	No discrepancy
	<p>(1) Wistron has set up a website containing the information regarding financials, business and corporate governance status</p> <p>(2) Wistron has one chief spokesman and one acting spokesman and also designated a team to be responsible for gathering and disclosing the information.</p>	No discrepancy
	<p>Wistron emphasizes on the importance of employee benefits and rights, we not only comply with related laws and regulations, but also provide different kinds of benefits exceeding local legal requirements to meet employees' needs. To ensure that employees understand their rights and benefits, all relevant regulations and procedures are disclosed on company's internal website. In addition, Wistron is a member of the Electronics Industry Citizenship Coalition (EICC), we strictly comply with EICC's Code of Conduct and are committed to fulfilling social responsibilities, protect employees' rights and include them as part of our daily business practice.</p> <p>Investor Relations: The objective for managing investor relations is to provide the latest information of the company to global investors. The company can communicate directly to global investors, enhance the transparency of financials and corporate governance and build up the reputation through it.</p>	No discrepancy

Items	Enforcement		
	Yes	No	
8. Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	✓		

	<b>Enforcement</b>	<b>Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy</b>
	<b>Summary Description</b>	
	Stakeholders Relations: To different circumstances, the company has investor relations, public relations, legal departments, etc. to communicate with stakeholders and the company website contain all the contact information of all above mentioned departments.	No discrepancy
	Our company also has excellent performance in the “2015(Second Round) Corporate Governance Evaluation” and in the list of the top ranked 5% of TWSE-listed companies.	No discrepancy



# **8.Enforcement of Ethical Corporate Management**

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	Implementation Status summary	Specify the difference
	<p>(1) We establish “Ethical Corporate Management Best Practice Principles” , “Code of Ethical Conduct” and “Corporate Governance Best Practice Principles”, above contents are disclosed in our company website and Market Observation Post System. Integrity is not only the core value of our business but also a fundamental part of our daily operation, this standard also applies to our board members, supervisors, employees and other related person.</p> <p>(2) In our “Code of Ethical Conduct”, we clearly define the basic rules that employees must follow and avoid, including the principles and procedures of conflict of interest, Giving Presents and Treats , Legal Political Donations, Charitable Donations.</p> <p>(3) We determined the units which handles financial/treasury and procurement as the ones with potential risks. The involved units are required to undergo specific trainings, internal audit or regular work rotation to reduce potential risk.</p>	No discrepancy
	<p>(1) Prior to any commercial transactions with external entities, we consider their ethical performance by reviewing their condition of legitimacy, ethical policy and records of unethical behaviors. We also convey our policy and ethical standards to our business partners and refuse to offer, commit, request or accept any improper advantage in any form, either directly or indirectly. Once we are aware of any unethical events, we will terminate the contract immediately and move the entity to the dishonor list. Besides that, we stipulate the terms and conditions of ethical management in contracts such as specific and reasonable payment terms, handling of unethical conduct including but not limited to the pertaining to prohibition of commissions, rebates, or other benefits.</p> <p>(2) HR department is responsible for the establishment of company’s integrity policy and the supervision of enforcement, and report to Board Meeting if there is any severe violation of company’s integrity policy. So far no incidents of unethical conduct have been reported.</p> <p>(3) It is stated in our “Ethic Policy” that we pay high attentions to conflicts of interest .In our “Code of Ethical Conduct”, we clearly define the principles and circumstances of conflicts of interest that related person shall avoid, and we also require them to report initiatively to their immediate supervisors, highest level of management of HR or report on board meeting if they face or are aware of similar situations that may arise conflicts of interest. So far no incidents of unethical conduct have been reported.</p>	No discrepancy

Item	Implementation Status		
	Yes	No	
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	✓		
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	✓		
3. Implementation of Complaint Procedures			
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		
(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	✓		
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. No discrepancy			
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). We inform suppliers of our anti-corruption policy via our E-procurement system(WSRM), and promote our ethical standards during the annual vendor conference and Corporate Briefing. The supplier’s implementation status is also reviewed every year.			

	Implementation Status summary	Specify the difference
	<p>(4) We conduct evaluation and self-audit of the effectiveness of internal control system, including accounting system, and make appropriate modifications if necessary, The result will be reviewed by Audit Office based on good faith.</p> <p>(5) Employees are required to take ethic e-trainings courses and exams on the first day of employment. Managers are also required to take ethical and integrity training once they are assigned as managerial position.</p>	No discrepancy
	<p>(1) All employees have the duty to report directly to highest level of management of HR, Audit Office or Chairman the improper conduct that is against the ethical conduct of the company, and we also pledge to protect the employees involved in reporting or investigation of the events from injustice or revenge. If employees violate the Code of Ethical Conduct, we will consider the severity of the violation, and conduct proper action, including dismissal, based on “Guidelines on Employee Award/Disciplinary”. If business partners violate our integrity policy, we will consider the severity of the violation to reduce or terminate our cooperation, or even report to the judicial authorities.</p> <p>(2) Wistron establish internal complaint procedure, which provides a clear process for complaint addressing, investigation, complaint resolution, etc., All complainants are treated sensitively and confidentially.</p> <p>(3) The complainant and respondent who involved in reporting or investigation of the events are free from injustice or revenge.</p>	No discrepancy
	In Wistron official website, we disclose the actions and commitments to our ethic policy and EICC (Electronic Industry Citizenship Coalition) code of conduct. We also disclose the ethical conduct implementation in our CSSR Report every year.	No discrepancy

# **9.Enforcement of Social Responsibility**

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Item	Enforcement		
	Yes	No	
<p>1. Implementation of Corporate Governance</p> <p>(1) Does the Company have a corporate social responsibility policy and evaluate its implementation?</p> <p>(2) Does the Company hold regular CSR training?</p> <p>(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?</p> <p>(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy,</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		
<p>2. Environmentally Sustainable Development</p> <p>(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(2) Has the Company set an Environmental management system designed to industry characteristics?</p> <p>(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		
<p>3. Promotion of Social Welfare</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the Company established appropriately managed employee appeal procedures?</p>	<p>✓</p> <p>✓</p>		

	Enforcement	Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Summary	
	<p>(1) Please refer to Corporate Sustainability and Social Responsibility on “Operations Management” section of Wistron CS<sup>2</sup>R report.</p> <p>(2) Wistron provides courses such as New Employee Orientation, Ethic Training, New Management training, Coaching for Empowerment, to ensure that all Wistron's employees and managers are equipped with CSR relevant knowledge and concept of integrity, human rights, people management , communication, etc.</p> <p>(3) Please refer to “Corporate Sustainability and Social Responsibility” section of Wistron CS<sup>2</sup>R report.</p> <p>(4) Wistron has a clear compensation policy and we ensure all compensation and benefits provided to employees comply with the requirements of laws and regulations, we adopt the policy of same pay for the same work, and prohibit any form of discrimination. Wistron also conducts a salary survey every year and adjusts salaries based on the economy, company operations and personal performance to ensure that employee salaries are fair and in line with market standards. In addition, Wistron establish the Personnel Reward and Punishment Regulation to ensure full implementation of corporate governance.</p>	None
	<p>(1) Please refer to “Environmental Management” section of Wistron CS<sup>2</sup>R report.</p> <p>(2) Please refer to “Environmental Management” section of Wistron CS<sup>2</sup>R report.</p> <p>(3) Please refer to Emissions of GHG and Other Gases on “Environmental Management” section of Wistron CS<sup>2</sup>R report.</p>	None
	<p>(1) Wistron complies with human rights related international regulations and local policies, and protect employees’ rights and benefits. All the systems within our company is in compliance with local labor laws, and the related procedures are announced to employees on company’s internal website.</p> <p>(2) Wistron has a complaint channel open for all employees. Employees are free to raise compliant and all complaints will be treated sensitively and confidentially.</p>	None



Item	Enforcement		
	Yes	No	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	✓		
(5) Has the Company established effective career development training plans?	✓		
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	✓		
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	✓		
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	✓		
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	✓		

	Enforcement	Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Summary	
	<p>(3) Wistron complies with “Occupational Safety and Health Act” and set up medical kits and trained first-aid personnel in all departments, all new employees and employees who changed to specific jobs are required to undergo a 3-hour safety and health trainings. Breastfeeding Rooms are set in the workplace in compliance with “Act of Gender Equality in Employment”. Furthermore, emergency control units and emergency response plan are established to properly handle emergency such as power outage, fire, flood, typhoon, earthquake, injuries which may cause permanent or temporary disability, notifiable disease such as SARS, water pollution or any other emergency event that may endanger lives or cause financial loss or environmental pollution.</p> <p>(4) Company’s information is released via different types of channel including internal website, screen walls, announcements, regular business information meetings and employee-employer communication meetings, so that employees are able to learn important management-related information.</p> <p>(5) The main direction of Wistron’s training and development program is to integrate business needs with employee career development, and “talent management and development” is always listed as an important management indicator. In this regard, we divide our training program into distinctive categories and modes for employees in different needs, we also work with consultants for many years and conduct programs of individual development plan (IDP) by using core competency approach. After years of implementation, we have nurtured several high-level business talents in each Business unit every year.</p> <p>(6) Wistron is an ODM (original design manufacturer) supplier and do not offer products/services to end user directly, those are all handled by brand customers. As to customer relationship management and complaint channel of suppliers, please refer to : New Businesses Development”, “Product Development and Quality Management” and “Supply Chain Management” sections of Wistron CS<sup>2</sup>R report.</p> <p>(7) Please refer to “Product Development and Quality Management” and “Green Product Management” sections of Wistron CS<sup>2</sup>R report.</p> <p>(8) We will do vendor survey before we start business with suppliers and the checking item is already included in the survey.</p> <p>(9) The purchase contract and EICC Letter of Agreement with suppliers insisted we can cease the purchase contract anytime if there is any violation of the regulations.</p>	None

Item	Enforcement		
	Yes	No	
4. Enhanced Information Disclosure Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	✓		
5. If the company has established its corporate social responsibility code of practice according to “Listed Companies Corporate Social Responsibility Code of Practice,” please describe the operational status and differences. In order to manage economic, environmental and social risks and impact, Wistron has established “Corporate Social Responsibility Best Practice Principles”, our daily operations follow the principles below : (1) Exercise corporate governance. (2) Foster a sustainable environment. (3) Preserve social welfare. (4) Enhance disclosure of corporate social responsibility information.			
6. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility : Please refer to Wistron’s website for our Corporate Sustainability and Social Responsibility (CS <sup>2</sup> R) Report of implementation status: <a href="http://www.wistron.com/about/cs2r_report.htm">http://www.wistron.com/about/cs2r_report.htm</a> .			
7. Other information regarding “Corporate Responsibility Report ” which are verified by certification bodies : Wistron’s Corporate Sustainability and Social Responsibility (CS <sup>2</sup> R) Report is in accordance with the GRI G4 guidelines Core option and verified by certification bodies.			

	<b>Enforcement</b>	<b>Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</b>
	<b>Summary</b>	
	<p>Since 2010, Wistron has released an annual report of Corporate Sustainability and Social Responsibility on Wistron website.</p>	<p>None</p>

**10. Financial Statements  
Consolidated With Subsidiaries  
Audited by CPA of 2015**

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安侯建業聯合會計師事務所

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### Independent Auditors' Report

The Board of Directors  
Wistron Corporation:

We have audited the accompanying restated consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of December 31, 2014, the consolidated balance sheets as of December 31, 2015, the restated consolidated statements of comprehensive income, changes in equity and cash flows, for the year ended December 31, 2014 and the consolidated statements of comprehensive income, changes and cash flows, for the year ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, R.O.C.

We have audited the parent-company-only financial statements as of December 31, 2014 and 2015, and for the years ended December 31, 2014 and 2015, on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)

March 25, 2016

#### Note to Readers

The accompanying consolidated financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, ROC. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

## (English Translation of Financial Report Originally Issued in Chinese)

## WISTRON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2015  
(amounts expressed in thousands of New Taiwan Dollars)

	December 31, 2014 (Restated)	December 31, 2015		December 31, 2014 (Restated)	December 31, 2015
<b>Assets</b>					
<b>Current assets:</b>			<b>Liabilities and Equity</b>		
Cash and cash equivalents (note 6(a))	\$ 55,692,329	58,559,754	<b>Current liabilities:</b>		
Financial assets at fair value through profit or loss – current (note 6(b))	557,344	2,981,560	Short-term borrowings (note 6(j))	\$ 70,423,254	77,001,897
Available-for-sale financial assets – current (note 6(b))	198,797	218,601	Financial liabilities at fair value through profit or loss – current (notes 6(b)(i))	221,566	1,697,837
Notes and accounts receivable, net (note 6(c))	100,068,224	90,940,666	Notes and accounts payable	109,089,271	99,209,319
Accounts receivable – related parties (notes 6(c) and 7)	367,420	520,060	Accounts payable – related parties (note 7)	2,661,458	2,093,958
Other receivables – related parties (notes 6(c) and 7)	9,670	15,715	Other payables – related parties (note 7)	87,070	66,101
Current tax assets	942,413	1,287,752	Provisions (note 6(m))	1,745,993	2,084,500
Inventories (note 6(d))	73,763,983	67,610,877	Current portion of bonds payable (note 6(l))	607,964	-
Other assets – current (notes 6(c)(i))	9,805,423	9,955,352	Current portion of long-term borrowings (notes 6(k) and 8)	1,183,707	165,919
<b>Total current assets</b>	<u>241,405,603</u>	<u>232,090,337</u>	Other liabilities – current	16,837,583	17,524,822
			<b>Current liabilities</b>	<u>202,857,866</u>	<u>199,844,353</u>
<b>Non-current assets:</b>			<b>Noncurrent liabilities:</b>		
Available-for-sale financial assets – noncurrent (note 6(b))	2,215,203	2,748,475	Long-term borrowings (notes 6(k) and 8)	19,850,993	14,068,205
Financial assets carried at cost – noncurrent (note 6(b))	969,143	1,325,107	Deferred tax liabilities (note 6(p))	4,387,216	4,908,200
Equity-accounted investees (note 6(c))	5,861,333	5,846,378	Other liabilities – noncurrent (note 6(o))	2,466,752	2,347,073
Property, plant and equipment (notes 6(g) and 8)	39,255,705	37,676,747	<b>Noncurrent liabilities</b>	<u>26,704,961</u>	<u>21,323,478</u>
Intangible assets (notes 6(f)(h))	1,546,839	2,016,785	<b>Total liabilities</b>	<u>229,562,827</u>	<u>221,167,831</u>
Deferred tax assets (note 6(p))	4,475,107	5,461,032			
Other assets – noncurrent (notes 6(i)(o) and 8)	3,840,990	3,220,183	<b>Equity (notes 6(p)(q)(r))</b>		
<b>Total noncurrent assets</b>	<u>58,164,320</u>	<u>58,294,707</u>	Capital stock	24,682,674	25,554,824
			Capital surplus	20,441,985	20,707,328
			Retained earnings	24,651,335	22,162,377
			Other equity	23,680	3,012,160
			Treasury stock	-	(2,721,183)
			<b>Equity attributable to owners of the Company</b>	<u>69,799,674</u>	<u>68,715,506</u>
			Non-controlling interests	207,422	501,707
			<b>Total equity</b>	<u>70,007,096</u>	<u>69,217,213</u>
			<b>Total liabilities and equity</b>	<u>299,569,923</u>	<u>290,385,044</u>
				\$	\$

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

**WISTRON CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015**  
(amounts expressed in thousands of New Taiwan Dollars, except for earnings per common share)

	<u>2014 (Restated)</u>	<u>2015</u>
Net revenues (notes 6(t) and 7)	\$ 592,346,734	623,273,988
Cost of sales (notes 6(d)(g) (h)(m)(n)(o)(q)(r)(v), 7 and 12)	<u>561,229,576</u>	<u>593,857,752</u>
Gross profit	<u>31,117,158</u>	<u>29,416,236</u>
Operating expenses (notes 6(c)(g)(h)(n)(o)(q)(r)(v), 7 and 12)		
Selling	11,636,318	10,897,273
Administrative	2,291,126	2,746,336
Research and development	<u>13,423,837</u>	<u>13,382,922</u>
Total operating expenses	<u>27,351,281</u>	<u>27,026,531</u>
Operating income	<u>3,765,877</u>	<u>2,389,705</u>
Non operating income and expenses:		
Other income (note 6(u))	3,109,558	1,816,467
Other gains and losses (notes 6(l)(u) and 7)	384,209	(174,198)
Finance costs (notes 6(l)(u))	(2,398,574)	(1,862,406)
Recognized share of associates and joint ventures accounted for equity method (note 6(e))	<u>(16,813)</u>	<u>200,797</u>
Total nonoperating income and expenses	<u>1,078,380</u>	<u>(19,340)</u>
Profit before tax	4,844,257	2,370,365
Income tax expenses (note 6(p))	<u>1,253,409</u>	<u>1,099,470</u>
Net profit	<u>3,590,848</u>	<u>1,270,895</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss (notes 6(o)(p)) :		
Remeasurements of the defined benefit liability	(35,519)	(103,272)
Share of other comprehensive income of associates and joint ventures	(1,077)	(14,616)
Income tax benefit related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>(17,758)</u>
Total items that will be reclassified subsequently to profit of loss	<u>(36,596)</u>	<u>(100,130)</u>
Items that will not be reclassified subsequently to profit of loss (notes 6(e)(o)(p)) :		
Exchange differences on translation of financial statements	3,072,094	2,338,456
Unrealized loss on available-for-sale financial assets	(53,354)	423,613
Share of other comprehensive income of associates and joint ventures	91,980	(77,101)
Income tax expense related to items that will be reclassified subsequently to profit or loss	<u>(15,894)</u>	<u>(17,014)</u>
Total items that will be reclassified subsequently to profit of loss expenses	<u>3,126,614</u>	<u>2,701,982</u>
Other comprehensive income, net of tax	3,090,018	2,601,852
Total comprehensive income	<u>\$ 6,680,866</u>	<u>3,872,747</u>
Net profit attributable to:		
Owners of the Company	3,580,393	1,334,094
Non-controlling interests	<u>10,455</u>	<u>(63,199)</u>
Net profit	<u>\$ 3,590,848</u>	<u>1,270,895</u>
Total comprehensive income attributable to:		
Owners of the Company	6,666,944	3,933,920
Non-controlling interests	<u>13,922</u>	<u>(61,173)</u>
Total comprehensive income	<u>\$ 6,680,866</u>	<u>3,872,747</u>
Earnings per share (in dollars), after tax (note 6(s))		
Basic earnings per share	<u>\$ 1.46</u>	<u>0.55</u>
Diluted earnings per share	<u>\$ 1.42</u>	<u>0.53</u>

See accompanying notes to consolidated financial statements.



(English Translation of Financial Report Originally Issued in Chinese)

WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015  
(amounts expressed in thousands of New Taiwan Dollars)

	Earnings attributable to owners of the Company											Total equity			
	Retained earnings				Other equity			Treasury stock	Total	Non-controlling interests	Total equity				
	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings subtotal	Exchange differences on translation of financial statements	Unrealized gain (loss) on available-for-sale financial assets						Other measured compensation for restricted employee shares of stock	Other equity subtotal	
<b>Beginning balance at January 1, 2014 (Restated)</b>	23,781,603	19,651,679	6,228,618	3,842,765	15,793,517	25,864,900	(1,951,414)	(837,140)	(530,121)	(3,318,675)	-	65,979,507	9,069	65,988,576	
Profit for 2014	-	-	-	3,580,393	3,580,393	-	-	-	-	-	-	-	3,580,393	10,455	3,590,848
Total other comprehensive income	-	-	-	(36,596)	(36,596)	(9,834)	3,132,981	(9,834)	-	3,123,147	-	3,086,351	3,467	3,090,018	
Appropriation of 2013 earnings in 2014	-	-	-	3,543,797	3,543,797	-	3,132,981	(9,834)	-	3,123,147	-	6,666,994	13,922	6,680,866	
Legal reserve	-	-	575,134	-	(575,134)	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	(1,054,211)	-	1,054,211	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(4,280,688)	(4,280,688)	-	-	-	-	-	-	(4,280,688)	-	(4,280,688)	
Stock dividends to shareholders	475,632	-	-	(475,632)	-	-	-	-	-	-	-	-	-	-	
Stock dividends as employee bonus	250,079	367,617	-	-	-	-	-	-	-	-	-	617,696	-	617,696	
Increase in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	50,716	-	110	110	-	-	-	-	-	-	50,826	-	50,826	
Issuance of common stock arising from exercise of employee stock options	206,740	343,204	-	-	-	-	-	-	-	-	-	549,944	-	549,944	
Retirement of restricted employee shares of stock	(31,380)	31,380	-	-	-	-	-	-	219,208	219,208	-	-	-	219,208	
Compensation cost arising from restricted employee shares of stock	-	-	-	(1,152)	(1,152)	-	-	-	-	-	-	(1,152)	-	(1,152)	
Differences between equity purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	(2,611)	-	-	-	-	-	-	-	-	-	(2,611)	-	(2,611)	
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	184,431	184,431	
<b>Balance at December 31, 2014 (Restated)</b>	<b>24,682,674</b>	<b>20,441,985</b>	<b>6,803,752</b>	<b>2,788,554</b>	<b>15,059,029</b>	<b>24,651,335</b>	<b>1,181,567</b>	<b>(946,974)</b>	<b>(310,913)</b>	<b>23,680</b>	<b>-</b>	<b>69,799,674</b>	<b>207,422</b>	<b>70,007,096</b>	
Profit for 2015	-	-	-	2,788,554	2,788,554	1,334,094	1,181,567	(846,974)	(310,913)	23,680	-	69,799,674	(63,199)	1,270,895	
Total other comprehensive income	-	-	-	(100,130)	(100,130)	4,382,728	2,261,178	4,382,728	-	2,699,956	-	2,599,826	2,026	2,601,852	
Appropriation of 2014 earnings in 2015	-	-	-	1,233,964	1,233,964	-	2,261,178	4,382,728	-	2,699,956	-	3,933,920	(61,173)	3,872,747	
Legal reserve	-	-	357,854	-	(357,854)	-	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	(1,394,277)	-	1,394,277	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	(2,961,921)	(2,961,921)	-	-	-	-	-	-	(2,961,921)	-	(2,961,921)	
Stock dividends to shareholders	740,480	-	-	(740,480)	-	-	-	-	-	-	-	-	-	-	
Stock dividends as employee bonus	336,890	361,102	-	-	-	-	-	-	-	-	-	691,782	-	691,782	
Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	-	-	(3,684)	(3,684)	-	-	-	-	-	-	32,799	-	32,799	
Retirement of restricted employee shares of stock	(199,010)	199,010	-	-	-	-	-	-	2,884,524	2,884,524	-	-	-	(80,881)	
Compensation cost arising from restricted employee shares of stock	-	(369,405)	-	-	-	-	-	-	-	-	-	(80,881)	-	(80,881)	
Changes in ownership interest of subsidiaries	-	13,152	-	(16,837)	(16,837)	-	-	-	-	-	-	(3,685)	-	(3,685)	
Repurchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(2,721,183)	(2,721,183)	-	(2,721,183)	
Treasury stock transferred to employees	-	25,001	-	-	-	-	-	-	-	-	-	25,001	-	25,001	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	355,458	355,458	
<b>Balance at December 31, 2015</b>	<b>25,554,824</b>	<b>20,707,328</b>	<b>7,161,606</b>	<b>1,394,277</b>	<b>13,606,094</b>	<b>24,162,722</b>	<b>3,442,745</b>	<b>(408,196)</b>	<b>(22,389)</b>	<b>3,012,460</b>	<b>(2,721,183)</b>	<b>69,715,506</b>	<b>501,707</b>	<b>70,217,213</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

## WISTRON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015

(amounts expressed in thousands of New Taiwan Dollars)

	2014 (Restated)	2015
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 4,844,257	2,370,365
Adjustments to reconcile net income to net cash generated from (used in) operating activities:		
Depreciation	7,765,789	7,842,216
Amortization	373,186	433,006
Net profit or loss of financial assets and liabilities at fair value through profit or loss	52,172	(947,135)
Interest expense	2,398,574	1,862,406
Interest income	(2,951,969)	(1,609,279)
Dividend income	(84,445)	(132,890)
Gain on disposal of investments	(10,406)	(8,149)
Recognized share of associates and joint ventures accounted for equity method	16,813	(200,797)
Loss on disposal of property, plant and equipment, net	94,333	846,672
Property, plant and equipment transferred to expense	10,987	4,161
Other asset transferred to expense	25,264	30,493
Compensation cost arising from restricted employee shares of stock	222,593	(78,500)
Loss on repurchase of convertible bonds	42,842	6,827
Impairment loss of assets	44,131	174,272
Exchange difference of bonds payable	512,537	(5,134)
Other investments loss	-	426,594
	<u>8,512,401</u>	<u>8,644,763</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease(increase) in notes and accounts receivable	(12,144,740)	10,614,954
Decrease in notes and accounts receivable—related parties	5,318,913	3,507,330
Decrease(increase) in other receivables—related parties	205,515	(4,678)
Decrease(increase) in inventories	(20,663,668)	8,122,798
Decrease(increase) in other assets—current	(401,068)	26,031
<b>Total changes in operating assets</b>	<u>(27,685,048)</u>	<u>22,266,435</u>
Changes in operating liabilities:		
Increase(decrease) in notes and accounts payable	14,082,972	(12,316,614)
Decrease in notes and accounts payable—related parties	(8,431,259)	(4,261,722)
Decrease in other payables—related parties	(408,842)	(500,768)
Increase(decrease) in provisions	(113,252)	343,391
Increase in other liabilities—current	2,365,150	2,006,677
Increase(decrease) in other liabilities—noncurrent	45,406	(192,308)
<b>Total changes in operating liabilities</b>	<u>7,540,175</u>	<u>(14,921,344)</u>
Net changes in operating assets and liabilities	<u>(20,144,873)</u>	<u>7,345,091</u>
<b>Total changes in operating assets and liabilities</b>	<u>(11,632,472)</u>	<u>15,989,854</u>
<b>Cash generated from (used in) operating activities</b>	<u>(6,788,215)</u>	<u>18,360,219</u>
Interest received	3,237,708	1,699,312
Dividend received	381,337	399,811
Interest paid	(1,934,992)	(1,970,191)
Income tax paid	(2,358,240)	(2,743,939)
<b>Net cash generated from (used in) operating activities</b>	<u>(7,462,402)</u>	<u>15,745,212</u>
<b>Cash flows generated from investing activities:</b>		
Decrease in other receivables—related parties	2,419	10,722
Increase in available-for-sale financial assets—current	(169,104)	(12,918)
Proceeds from disposal of available-for-sale financial assets—noncurrent	11,226	42,693
Increase in available-for-sale financial assets—noncurrent	(412,978)	(300,433)
Increase in financial assets carried at cost—noncurrent	(252,525)	(490,182)
Disposal of financial assets carried at cost	-	22,532
Proceeds from return of financial assets carried at cost	32,685	61,431
Increase in equity-accounted investees	(531,314)	(100,060)
Proceeds from disposal of equity-accounted investees	19,972	-
Additions to property, plant and equipment	(5,708,441)	(3,784,661)
Proceeds from disposal of property, plant and equipment	157,012	455,475
Additions to intangible assets	(204,772)	(370,066)
Increase in other assets—noncurrent	(2,566,433)	(2,092,990)
Cash received through merger	-	32,669
Other	(10,881)	1,932
<b>Net cash flows used in investing activities</b>	<u>(9,633,134)</u>	<u>(6,523,856)</u>
<b>Cash flows generated from financing activities:</b>		
Increase of short-term borrowings	14,707,190	5,390,872
Repurchase of convertible bonds	(8,508,081)	(605,030)
Increase in long-term borrowings	7,828,233	22,554,167
Decrease in long-term borrowings	(9,637,822)	(29,359,116)
Repurchase of treasury stock	-	(2,721,183)
Treasury stock transferred to employees	-	25,001
Decrease in deposits received	(668,908)	(302,164)
Cash dividends to shareholders	(4,280,688)	(2,961,921)
Issuance of common stock arising from exercise of employee stock options	549,944	-
Increase in non-controlling interests	114,405	42,207
<b>Net cash flows generated from (used in) financing activities</b>	<u>104,273</u>	<u>(7,937,167)</u>
<b>Effect of exchange rate changes</b>	<u>2,596,717</u>	<u>1,583,236</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(14,394,546)</u>	<u>2,867,425</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>70,086,875</u>	<u>55,692,329</u>
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 55,692,329</u>	<u>\$ 58,559,754</u>

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2015

(amounts expressed in thousands of New Taiwan dollars and US dollars  
except for earnings per share information and unless otherwise noted)

#### 1. Reporting Entities of the Consolidated Financial Statements and Its Business Scopes

Wistron Corporation (the “Company”) was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). In pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to acquire the net assets spun off from AI’s DMS (Design, Manufacturing, and Service products) business.

The Company and its subsidiaries (hereinafter, jointly referred to as the “Group”), are currently engaged in the research, development, design, manufacturing, testing and sale of the following products and semi-finished products, and their peripheral equipment, parts and components:

- (1) desktop computers, notebook computers, motherboards, servers, system platforms, high-speed and multi-function multiple-CPU computer systems, multi-media computers, network computers, consumer-type computers and special computers, micro-processors, CD-ROMs, PDAs, panel PCs, pocket computers and interface cards;
- (2) video and internet telephones, video conferencing equipment and telecommunication equipment;
- (3) digital satellite TV receivers, set-top boxes, digital video decoders and multi-media appliance products;
- (4) digital cameras, CD-ROM drives and DVD-ROM drives;
- (5) wireless receiver products (mobile phones, wireless LAN cards, and Bluetooth communication modules);
- (6) LCD TVs and other electronic audio & visual products;
- (7) design and merchandising of computer software and programs;
- (8) import and export trade relevant to the business of this company;
- (9) maintenance and cleaning of electronics products;
- (10) recycling of electronic waste;
- (11) In vitro diagnostic device, physiological signal diagnostic device and medical data system;
- (12) manufacturing, processing and selling of electronic products for automobile.

#### 2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements as of and for the years ended December 31, 2014 and 2015 were authorized for issue by the Board of Directors on March 25, 2016.

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”).

The Group fully adopts and prepares the financial reports using the IFRSs 2013 (which does not include IFRS 9) issued and endorsed by FSC since January 1, 2015. Relevant new releases, modifications and amendments to standards and interpretations are as following:

New standards and amendments	Effective date per IASB
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosures of Transfers of Financial Assets”	July 1, 2011
Amendment to IFRS 7 “Disclosures of Derecognition Financial Assets and Financial Liabilities”	January 1, 2013
IFRS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be January 1, 2014)
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate Financial Statement”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013

Applying the IFRSs 2013 did not cause any significant changes in the consolidated financial statements, except for the following:

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. IAS 19 “Employee Benefits”

This standard mainly amended the following:

The amendments to IAS 19 require the Group to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans.

The Group has already recognized all the unrecognized actuarial losses for eliminating the corridor approach, and adjusted to retained earnings retrospectively. Please refer to section 5 for the disclosure of changes in accounting policies.

2. IAS 1 “Presentation of Financial Statements”

The standard that amended the presentation of OCI, classified as items presented before tax, should be shown separately for each of the two categories of OCI items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Group changes the presentation of the statements of comprehensive income, and restates the comparative period amounts.

3. IFRS 12 “Disclosure of Interests in Other Entities”

The Group discloses the information of the consolidated entities as the standard requires. Please refer to note 4(c) for related information.

4. IFRS 13 “Fair Value Measurement “

The standard defines fair value, provides a framework for fair value measurement, and regulates the related disclosures about fair value measurement. The Group discloses the fair value measurement as the standards require (please refer to note 6(w)), and applies the fair value measurement requirement prospectively by following the transitional requirement. However, there is no need to provide the comparative period information for newly disclosed items. The standard, after evaluation, is not considered to have any significant impacts on financial position and operating results of the Group.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

5. The significant impacts to the Group's financing statement by using IFRSs 2013 were summarized as follows:

<u>Items effected in the consolidated balance sheet</u>	<u>Amounts before restated</u>	<u>Effects from changes in accounting policies</u> <u>Defined benefit plan</u>	<u>Amounts after restated</u>
January 1, 2014			
Other liabilities – noncurrent	\$ 2,849,047	207,442	3,056,489
<b>Total liabilities</b>	<b>\$ 204,345,756</b>	<b>207,442</b>	<b>204,553,198</b>
Retained earnings	\$ 26,072,342	(207,442)	25,864,900
<b>Total equity</b>	<b>\$ 66,196,018</b>	<b>(207,442)</b>	<b>65,988,576</b>
		<u>Effects from changes in accounting policies</u>	
<u>Items effected in the consolidated balance sheet</u>	<u>Amounts before restated</u>	<u>Defined benefit plan</u>	<u>Amounts after restated</u>
December 31, 2014			
Other liabilities – noncurrent	\$ 2,225,648	241,104	2,466,752
<b>Total liabilities</b>	<b>\$ 229,321,723</b>	<b>241,104</b>	<b>229,562,827</b>
Retained earnings	\$ 24,892,439	(241,104)	24,651,335
<b>Total equity</b>	<b>\$ 70,248,200</b>	<b>(241,104)</b>	<b>70,007,096</b>
		<u>Effects from changes in accounting policies</u>	
<u>Items effected in the consolidated statement of comprehensive income</u>	<u>Amounts before restated</u>	<u>Defined benefit plan</u>	<u>Amounts after restated</u>
January 1, 2014			
Cost of sales	\$ 561,229,960	(384)	561,229,576
Selling	\$ 11,636,494	(176)	11,636,318
Administrative	\$ 2,291,418	(292)	2,291,126
Research and development	\$ 13,424,842	(1,005)	13,423,837
<b>Net profit</b>	<b>\$ 3,588,991</b>	<b>1,857</b>	<b>3,590,848</b>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	\$ -	(35,519)	(35,519)
<b>Other comprehensive income, net of tax</b>	<b>\$ 3,125,537</b>	<b>(35,519)</b>	<b>3,090,018</b>
<b>Total comprehensive income</b>	<b>\$ 6,714,528</b>	<b>(33,662)</b>	<b>6,680,866</b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<u>Items effected in the consolidated statement of cash flows</u>	<u>Amounts before restated</u>	<u>Effects from changes in accounting policies</u>	<u>Amounts after restated</u>
		<u>Defined benefit plan</u>	
December 31, 2014			
Cash flows from operating activities			
Profit before tax	\$ 4,842,400	1,857	4,844,257
<b>Change in operating assets and liabilities</b>			
Other liabilities – noncurrent	\$ 47,263	(1,857)	45,406

- (b) The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements not yet approved by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Prescribed by IASB</u>
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Not yet approved by the IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Account”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Lease”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2017
Amendments to IAS16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets “	January 1, 2014

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Prescribed by IASB</b>
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements: 2010-2012 and 2011-2013 cycles	July 1, 2014
Annual improvements to IFRSs : 2012-2014 cycles	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The Group is currently evaluating the impact from the abovementioned standards and amendments to the Group’s financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

**4. Summary of Significant Accounting Policies**

The significant accounting policies presented in the consolidated financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these consolidated financial statements except for which explained specially.

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations). International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS as endorsed by the FSC”).

(b) Basis of preparation

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- i Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- ii Available-for-sale financial assets are measured at fair value;
- iii The defined benefit asset (liabilities) is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation.

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(2) Functional and presentation currency**

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

**(c) Basis of consolidation****(1) Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

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. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

**(2) Losing control of subsidiaries**

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement.

The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) List of subsidiaries in the consolidated financial statements

- i Subsidiaries which are engaged in research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
the Company	International Standard Labs (“ISL”, Taiwan)	100.00	100.00
the Company	Wistron Mexico, S.A. de C.V. (“WMX”, Mexico)	100.00	100.00
the Company	WisVision Corporation (“WVS”, British Virgin Islands)	100.00	100.00
the Company	Wistron Technology (Malaysia) Sdn. Bhd. (“WMY”, Malaysia)	100.00	100.00
the Company	Wistron Mobile Solutions Corporation (“WCH”, U.S.A.)	100.00	100.00
the Company	Wistron InfoComm (Czech), s.r.o. (“WCZ”, Czech Republic)	100.00	100.00
the Company/WLB	Wiwynn Corporation (“WYHQ”, Taiwan)	77.50	76.88
the Company/WCL	Join-Link International Technology Co., Ltd. (“JLH”, Taiwan)	-	55.34
Cowin	BriVision Optronics (Zhongshan) Corp. (“WBVZ”, China)	100.00	(note 1)
Cowin/AIIH	Wistron InfoComm (Zhongshan) Corporation (“WZS”, China)	100.00	100.00
AIIH	All Technology (Zhongshan) Co., Ltd. (“ATZS”, China)	100.00	100.00
Win Smart	Wistron InfoComm (Kunshan) Co., Ltd. (“WAKS”, China)	100.00	100.00
Win Smart	Wistron InfoComm Technology (Kunshan) Co., Ltd. (“WIKS”, China)	100.00	(note 2)
Win Smart	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. (“WEKS”, China)	100.00	100.00
Win Smart	Wistron InfoComm (Taizhou) Co., Ltd. (“WTZ”, China)	100.00	100.00
Win Smart	Wistron InfoComm (CHONGQING) Co., Ltd. (“WCQ”, China)	100.00	100.00
Win Smart	Wiwynn Technology Service (Beijing) Limited (“WYBJ”, China)	100.00	100.00
Win Smart	Wistron InfoComm Technology Service (Kunshan) Co., Ltd. (“WRKS”, China)	100.00	100.00
WSC	Wistron InfoComm (Chengdu) Co., Ltd. (“WCD”, China)	100.00	100.00
WDC	Wistron Optronics (Kunshan) Co., Ltd. (“WOK”, China)	100.00	100.00
WHHK	Wistron InfoComm (Qingdao) Co., Ltd. (“WQD”, China)	100.00	100.00
WVS	Wistron InfoComm Technology (Zhongshan) Co., Ltd. (“WTZS”, China)	100.00	100.00
WEH	Polymer Vision B.V. (“WPV”, Holland)	100.00	100.00
WCL	Creator Technology B.V. (“WCT”, Holland)	100.00	100.00
WYHQ	AnyCloud Plus Technology Company Limited (“WYACP”, Taiwan)	77.50	(note 3)
WYHQ	Wiwynn Technology Service Japan, Inc. (“WYJP”, Japan)	77.50	76.88
WYHQ	Wiwynn International Corporation. (“WYUDE”, U.S.A.)	77.50	76.88
WYHK	Wiwynn Technology Service Kunshan, Ltd. (“WYKS”, China)	77.50	76.88
JLH	Join-Link International Technology Co., Ltd. (“JLKS”, China)	-	55.34

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- ii Subsidiaries which are engaged in sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
the Company	Cowin Worldwide Corporation (“Cowin”, British Virgin Islands)	100.00	100.00
the Company	AII Holding Corporation (“AIIH”, British Virgin Islands)	100.00	100.00
the Company	SMS InfoComm Corporation (“WTX”, U.S.A.)	100.00	100.00
the Company	WiAdvance Technology Corporation (“AGI”, Taiwan) (note 4)	99.95	99.95
the Company	Anwith Technology Corporation (“WCHQ”, Taiwan)	100.00	100.00
the Company	SMS InfoComm (Singapore) Pte. Ltd. (“WSG”, Singapore)	100.00	100.00
the Company	Service Management Solutions Colombia S.A.S. (“WSCO”, Colombia)	100.00	100.00
the Company	Service Management Solutions Mexico SA DE CV (“WSMX”, Mexico)	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation (“WPH”, Philippines)	100.00	100.00
the Company/AIIH	SMS InfoComm Technology Services and Management Solutions Ltd. (“WBR”, Brazil)	100.00	100.00
the Company/WCL	SMS InfoComm Technology Services Limited Company (“WTR”, Turkey)	100.00	100.00
WLLC	Wistron InfoComm Technology (America) Corporation (“WITX”, U.S.A.)	100.00	100.00
WLLC	Wistron InfoComm Technology (Texas) Corporation (WITT, U.S.A.)	-	100.00
Win Smart	Wistron Service (Kunshan) Corp. (“WSKS”, China)	100.00	100.00
Win Smart	Wistron Hong Kong Limited (“WHK”, Hong Kong)	100.00	100.00
Win Smart	SMS (Kunshan) Co., Ltd. (“WMKS”, China)	100.00	100.00
WDC	Wistron Optronics (Shanghai) Co., Ltd. (“WOSH”, China)	100.00	100.00
AIIH	Wistron K.K. (“WJP”, Japan)	100.00	100.00
WSG/WHK	ICT Service Management Solutions (India) Private Limited (“WIN”, India)	100.00	100.00
WSG	SMS INFOCOMM (MALAYSIA) SDN. BHD. (“WSMY”, Malaysia)	100.00	100.00
WEH	SMS InfoComm (Czech) s.r.o. (“WSCZ”, Czech Republic)	100.00	100.00
WHK	ANWITH (Kunshan) Co., LTD. (“WCKS”, China)	100.00	100.00

- iii Subsidiary which is engaged in software research, development, design, trading and consultation:

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
AIIH	Wistron InfoComm (Shanghai) Corporation (“WSH”, China)	100.00	100.00
WEDH	WIEDU SDN. BHD. (“WEMY”, Malaysia)	100.00	100.00

- iv Subsidiaries engaged in recycling of electronic products :

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
the Company	Wistron GreenTech (Texas) Corporation (“WGTX”, U.S.A.)	100.00	100.00
WGHK	Wistron Advanced Materials (Kunshan) Co., Ltd. (“WGKS”, China)	100.00	100.00

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## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- v Subsidiaries which engaged in internet platform development, providing and selling application services and consultation.

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
the Company	WiEdu Hong Kong Limited (“WEHK”, Hong Kong)	70.03	70.03
WEHK	WIEDU CORPORATION (“WETW”, Taiwan)	70.03	70.03
WEHK	Weshtek Information Technology Services Co., Ltd., Shanghai (“WESH”, China)	-	70.03

- vi Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership	
		2014.12.31	2015.12.31
the Company	Wise Cap Limited Company (“WCL”, Taiwan)	100.00	100.00
the Company	Win Smart Co., Ltd. (“WINS”, British Virgin Islands)	100.00	100.00
the Company	Wistron LLC (“WLLC”, U.S.A.)	100.00	100.00
the Company	Wistron Advanced Materials (Hong Kong) Limited (“WGHK”, Hong Kong)	100.00	100.00
the Company	WiEDU Holding Co., Ltd (“WEDH”, Seychelles)	100.00	100.00
the Company	WiseCap (Hong Kong ) Limited (“WCHK”, Hong Kong)	100.00	100.00
the Company/AIHH	Wistron Europe Holding Cooperatie U.A. (“WEH”, Holland)	100.00	100.00
WCL	LE BEN Investment Ltd (“WLB”, Taiwan)	100.00	100.00
Cowin	BriVision Optronics (L) Corp. (“WBV”, Malaysia)	(note 5)	(note 5)
AGI	Xserve Technology Incorporated (“XTI”, British Virgin Islands)	99.95	(note 6)
AIHH	WinDisplay Corporation (“WDC”, British Virgin Islands)	100.00	100.00
Win Smart	Wistron Hong Kong Holding Limited (“WHHK”, Hong Kong)	100.00	100.00
WHHK	Wistron Investment (Sichuan) Co., Ltd. (“WSC”, China)	100.00	100.00
WYHQ	Wiwynn Technology Service Hong Kong Limited (“WYHK”, Hong Kong)	77.50	76.88

(note 1) WZS merged with WBVZ in the second quarter of 2015; WZS was the remaining company and WBVZ had been liquidated.

(note 2) WAKS merged with WIKS in the first quarter of 2015; WAKS was the remaining company and WIKS had been liquidated.

(note 3) The liquidation process of WYACP had completed during the fourth quarter of 2015.

(note 4) Anextek Global Incorporation was renamed as WiAdvance Technology Corporation on June 15, 2015, and the related registration procedures was completed on July 2, 2015.

(note 5) Cowin merged with WBV through stock exchange and the liquidation process of WBV has completed during the first quarter of 2015.

(note 6) The liquidation process of XTI had completed during the fourth quarter of 2015.

- (4) Subsidiaries excluded from consolidated: None.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(d) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the differences between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- available-for-sale equity investment;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation differences in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

1. It is expected to be realized the asset, or intends to be sold or consumed it during normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

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

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, and call deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Time deposits meet aforementioned definitions that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, and that are subject to an insignificant risk of changes in their fair value are recognized as cash and cash equivalents.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(g) Financial Instruments

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

1. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables. Apply to trade date accounting when purchasing or selling financial assets by trade practices.

(1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value subsequently and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other income.

(2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss, and it is included in other gains and losses.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables.

Interest income is recognized into profit or loss, and it is included in other income.

#### (4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

It is used to assess if any objective evidence indicates any significant individual financial asset is impaired and other financial assets are impaired individually or collectively by financial assets carried at cost. It is no need to assess impairment collectively if these financial assets are assessed individually and recognized or recognizing impairment losses continuously. If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized.

The impairment losses and recoveries are recognized in profit or loss, under administrative expenses for accounts receivable, and under other gains and losses for other financial assets.

#### (5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when all the risks and rewards of ownership of the financial assets are substantially transferred.

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

On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for the sale financial assets is reclassified profit or loss, under other gains and losses.

## 2. Financial liabilities

### (1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance to the substance of the contractual agreement.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued is recognized as the amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under finance costs. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

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

A financial liability is classified in this category if it is classified as held-for-trading or if it is designated as such on initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value subsequently and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in finance costs.

(3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(4) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged, cancelled or expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid including any non-cash assets transferred or liabilities assumed is recognized in profit or loss, under gains and losses.

(5) Offsetting of financial assets and liabilities

Financial assets and liabilities on a net basis when the Group has the legally enforceable rights 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.

3. Derivative financial instruments

Derivative financial instruments are held to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(i) Investment in associates

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

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

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

(2) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (3) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a systematic basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

i Buildings and improvements:	20 to 50 years
ii Machinery and equipment:	3 to 10 years
iii Molding equipment:	1 year
iv Research and development equipment:	3 to 5 years
v Furniture, fixtures and other equipment:	3 to 10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

#### (k) Lease

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

#### (l) Intangible assets

##### (1) Goodwill

##### (i) Initial Recognition

Goodwill which results from purchasing is including in intangible asset.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(ii) Subsequent Expenditure

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(2) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred. Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) The intention to complete the intangible asset and use or sell it.
- (iii) The ability to use or sell the intangible asset.
- (iv) How the intangible asset will generate probable future economic benefits.
- (v) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- (vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized Expenditures arising from the development phase is measured at cost less accumulated amortization or impairment losses.

(3) Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(4) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(5) Amortization**

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- |                             |               |
|-----------------------------|---------------|
| i Patents:                  | 3 to 10 years |
| ii Software:                | 3 to 10 years |
| iii Customer relationships: | 5 years       |

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each financial year-end. Such change shall be accounted for as changes in accounting estimates.

**(m) Impairment–Non-derivative financial assets**

To ensure the following assets are carried at no more than their recoverable amount, and to define how recoverable amount is determined. It applies to the following assets:

- i) Inventories
- ii) Deferred tax assets
- iii) Assets arising from employee benefits

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

#### (n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### (o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), and net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weightage of different types of repurchase.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During the cancellation of treasury shares, capital surplus – share premiums and capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

1. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

2. Services

The Group is involved in repair services. Repair income is recognized when the services are rendered.

(q) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. The expense is recognized immediately in profit or loss to the extent that the benefits vest immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

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

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

3. Short term employee benefits

Short-term employee benefit obligation 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 pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award 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.

(s) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - (1) levied by the same taxing authority; or
  - (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

Further information about the assumptions made in measuring fair values is included in note 6(w).

(t) Business combination

The Group obtains control over other company for the first time by acquisition. Therefore, the related accounting policies about business combination were applied since January 1, 2015.

The Group treats the business combination as acquisition. Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

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## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Current portion of non-controlling interest, which the shareholders have power to obtain the net asset proportionately once liquidation is occurred, is measured either at fair value at acquisition date or the share of the acquirer's identifiable net assets in each acquisition. The rest of the non-controlling interests are measured by either fair value at acquisition-date or other measurement basis which follows the IFRSs endorsed by FSC.

(u) Earnings per share

The Group discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible notes, employee stock options, unvested restriction stock option, and accrued employee bonus.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur 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 to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

#### 5. Major sources of accounting assumptions, judgments and estimation uncertainty

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

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognizes the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about critical judgments in applying the accounting policies that do not have the most significant effect on the amounts is recognized in the consolidated financial statements.

Further information about the assumptions made in measuring fair values is included in note 6(w).

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. Significant Account Disclosures**

(a) Cash and cash equivalents

	<u>2014.12.31</u>	<u>2015.12.31</u>
Cash on hand	\$ 21,627	25,277
Demand and checking deposits	32,176,445	29,358,133
Time deposits	23,379,255	29,176,344
Short-term notes	<u>115,002</u>	<u>-</u>
	<u>\$ 55,692,329</u>	<u>58,559,754</u>

Please refer to note 6(w) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets

1. Financial assets and liabilities at fair value through profit or loss

(1) Financial assets at fair value through profit or loss—current:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Foreign currency swap contracts	\$ 556,773	2,978,211
Foreign currency forward contracts	<u>571</u>	<u>3,349</u>
	<u>\$ 557,344</u>	<u>2,981,560</u>

(2) Financial liabilities at fair value through profit or loss—current:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Foreign currency swap contracts	\$ 204,118	1,639,628
Foreign currency forward contracts	15,679	58,209
Cross currency swap contracts	1,711	-
Redemption option of convertible bonds	<u>58</u>	<u>-</u>
	<u>\$ 221,566</u>	<u>1,697,837</u>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. As of December 31, 2014 and 2015, derivative financial instruments not qualified for hedge accounting were as follows:

## (i) Foreign currency swap contracts:

December 31, 2014		December 31, 2015	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
USD <u>1,373,400</u>	USD Put / CNY Call	USD <u>2,818,000</u>	USD Put / CNY Call
-	-	USD <u>131,000</u>	USD Put / TWD Call
USD <u>374,000</u>	TWD Put / USD Call	USD <u>1,040,000</u>	TWD Put / USD Call
USD <u>1,200,000</u>	CNY Put / USD Call	USD <u>2,574,000</u>	CNY Put / USD Call

## (ii) Foreign currency forward contracts:

December 31, 2014		December 31, 2015	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
USD <u>13,000</u>	USD Put / CNY Call	USD <u>85,000</u>	USD Put / CNY Call
-	-	USD <u>316,000</u>	USD Put / TWD Call
USD <u>74,000</u>	TWD Put / USD Call	-	-
USD <u>244</u>	XAU Put / USD Call	-	-

## (iii) Cross currency swap contracts:

December 31, 2014				
Amount (in thousands)	Contracts period	Interest payable rate	Interest receivable rate	Swap period
USD <u>8,000</u>	2014.12.4~2015.1.5	0%	3.25%	2014.12.4~2015.1.5

## 2. Available-for-sale financial assets

## (1) Available-for-sale financial assets – current:

	2014.12.31	2015.12.31
Funds	\$ <u>198,797</u>	<u>218,601</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(2) Available-for-sale financial assets — noncurrent:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Financial assets measured at fair value:		
Publicly traded stocks	\$ 1,617,252	2,331,829
Nonpublic stock	597,951	397,166
Convertible bonds	-	19,480
	<u>\$ 2,215,203</u>	<u>2,748,475</u>

3. Financial assets measured at cost — noncurrent:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Nonpublic stock	\$ 841,925	919,196
Convertible Bond	127,218	401,047
Simple agreement for future equity	-	4,864
	<u>\$ 969,143</u>	<u>1,325,107</u>

4. Sensitivity analysis-equity price risk

<u>Price of securities at reporting date</u>	<u>2014</u>	<u>2015</u>
	<u>Other comprehensive income for the year net of tax</u>	<u>Other comprehensive income for the year net of tax</u>
Increasing 3%	\$ <u>88,684</u>	<u>114,915</u>
Decreasing 3%	\$ <u>(88,684)</u>	<u>(114,915)</u>

5. Foreign equity investments:

Significant foreign equity investments at the end of each year were as follows:

	<u>December 31, 2014</u>			<u>December 31, 2015</u>		
	<u>Foreign currency</u>	<u>Rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Rate</u>	<u>TWD</u>
USD	\$ 35,269	31.718	1,118,647	40,624	33.066	1,343,265

6. As of December 31, 2014 and 2015, the financial assets were not pledged.

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(c) Notes and accounts receivable and other assets — current — other receivables

	<u>2014.12.31</u>	<u>2015.12.31</u>
Notes receivable	\$ 252	2,922
Accounts receivable	100,432,069	91,692,573
Accounts receivable — related parties	367,420	520,060
Other assets — current — other receivables	3,461,886	4,923,592
Other receivables — related parties	9,670	15,715
Less: allowance for doubtful accounts	<u>(364,097)</u>	<u>(754,829)</u>
	<b><u>\$ 103,907,200</u></b>	<b><u>96,400,033</u></b>

The detail of notes and accounts receivable, accounts receivable — related parties, other assets — current — other receivables and other receivable — related parties that were past due but not impaired were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Past due 0~30 days	\$ 737,229	840,712
Past due 31~60 days	202,692	166,636
Past due 61~90 days	23,663	89,540
Past due 91~120 days	7,118	20,387
Past due over 120 days	<u>146,304</u>	<u>403,972</u>
	<b><u>\$ 1,117,006</u></b>	<b><u>1,521,247</u></b>

For the years ended December 31, 2014 and 2015, the movements of allowance for doubtful accounts with respect to notes and accounts receivable, accounts receivable — related parties, other assets — current — other receivable and other receivable — related parties were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2014	\$ 82,964	47,874	130,838
Impairment loss recognized	<u>226,437</u>	<u>6,822</u>	<u>233,259</u>
Balance at December 31, 2014	<b><u>\$ 309,401</u></b>	<b><u>54,696</u></b>	<b><u>364,097</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
Balance at January 1, 2015	\$ 309,401	54,696	364,097
Impairment loss recognized	374,442	22,544	396,986
Reversal of impairment loss	-	(6,254)	(6,254)
Reclassified	<u>47,535</u>	<u>(47,535)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 731,378</u>	<u>23,451</u>	<u>754,829</u>

The Group assesses the impairment losses of the notes receivable, accounts receivable and other assets – current – other receivables both individually and collectively. The Group evaluated the historical trends, recovery terms and the losses of the default possibility of the receivables; and the management of the Group accrued the allowance for doubtful accounts according to current economic condition and credit. Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Group does not hold any collateral for the collectible amounts.

As of December 31, 2014 and 2015, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

December 31, 2014					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>1,994,644</u>	<u>1,679,373</u>	<u>1,534,015</u>	<u>1,591,000</u>	Without recourse	<u>1,595,643</u>
December 31, 2015					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>2,170,886</u>	<u>2,753,846</u>	<u>1,713,393</u>	<u>1,666,000</u>	Without recourse	<u>1,779,845</u>

The abovementioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of December 31, 2014 and 2015, included among the factored accounts receivable were accounts receivable of \$1,954,728 and \$2,197,301, respectively, which were yet to be factored by banks since the ownership and the significant risks were not transferred, therefore, they were included in “Other assets – current” in the accompanying balance sheets.

For the years ended December 31, 2014 and 2015, the average annual interest rates on factored accounts receivable were 1.100% to 1.700% and 0.825% to 1.900%, respectively.

As of December 31, 2014 and 2015, the notes and accounts receivable were not pledged.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(d) Inventories

	<u>2014.12.31</u>	<u>2015.12.31</u>
Raw materials	\$ 30,724,319	25,124,456
Work in progress	4,300,065	6,397,856
Finished goods	23,484,046	22,656,630
Inventory in transit	<u>15,255,553</u>	<u>13,431,935</u>
	<u>\$ <b>73,763,983</b></u>	<u><b>67,610,877</b></u>

For the years ended December 31, 2014 and 2015, the write-downs of inventories to the net realized value were as follows:

	<u>2014</u>	<u>2015</u>
Loss on valuation of inventories and obsolescence and scrap loss	\$ <u><u>722,327</u></u>	<u><u>1,568,943</u></u>

As of December 31, 2014 and 2015, the inventories were not pledged.

(e) Equity-accounted investees

As of December 31, 2014 and 2015, the Components of investments accounted for using the equity method were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Associates	\$ <u><u>5,861,333</u></u>	<u><u>5,846,378</u></u>

1. Associates

As of December 31, 2014 and 2015, the fair value of investments in associates of the Group for which there are public price quotations were as follows:

	<u>2014.12.31</u>		<u>2015.12.31</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
WNC	\$ 2,892,334	5,608,586	3,187,164	7,488,225
AOI	278,587	288,264	230,867	280,170
WITS	332,465	508,217	321,763	269,082
Formosa Prosonic Industries Berhad	<u>486,135</u>	<u>476,744</u>	<u>427,890</u>	<u>474,374</u>
	<u>\$ <b>3,989,521</b></u>	<u><b>6,881,811</b></u>	<u><b>4,167,684</b></u>	<u><b>8,511,851</b></u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2014 and 2015, the recognized share of profit of associates was as follows:

	<u>2014</u>	<u>2015</u>
Attributable to the Group:		
Net profit	\$ (16,813)	200,797
Other comprehensive income	<u>91,980</u>	<u>(77,101)</u>
Comprehensive income	<u>\$ 75,167</u>	<u>123,696</u>

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

	<u>2014.12.31</u>	<u>2015.12.31</u>
Total assets	\$ <u>45,168,644</u>	<u>49,464,792</u>
Total liabilities	\$ <u>22,572,533</u>	<u>27,209,023</u>
	<u>2014</u>	<u>2015</u>
Revenue	\$ <u>65,587,579</u>	<u>76,805,512</u>
Profit	\$ <u>902,966</u>	<u>837,094</u>

2. Collateral

As of December 31, 2014 and 2015 the investments in aforementioned equity-accounted investees were not pledged as collateral.

(f) Acquisition of subsidiary

1. On January 15, 2015, the Group obtains 55.34% shares by taking part in JLH's issuance of common stock for cash amounting to \$634,144. The aforementioned amount has already been paid.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. The fair value of identifiable assets acquired and liabilities assumed at the date of acquisition are as follows:

Cash and cash equivalents (including the cash injection for JLH's issuance of common stock)	\$ 660,153
Notes and accounts receivable	151,772
Inventories	97,146
Other assets — current	73,608
Long-term investments (the amounts of property, plant and equipment and intangible assets are deducted)	20,026
Property, plant and equipment	27,856
Intangible assets	342,130
Other assets — noncurrent	12,073
Short-term and long-term borrowings	(188,605)
Notes and accounts payable	(264,506)
Other liabilities — current	(136,416)
Other liabilities	(54,366)
	<b><u>\$ 740,871</u></b>

The required market evaluation and other calculation on the acquisition of JLH were completed at the reporting date. The Group had already recognized the required adjustment regarding the provisional accounting treatment on the acquisition of JLH during the measurement period in order to reflect the information at the acquisition date.

3. Goodwill arising from the acquisition was as follows:

Fair value of consideration transferred	\$ 634,144
Non-controlling interest (calculated by the ratio of non-controlling interest from identifiable assets)	330,873
Fair value of identifiable net assets	<u>(740,871)</u>
Goodwill	<b><u>\$ 224,146</u></b>

The goodwill is mainly attributable to JLH's customer relationships and sales channel deriving from the car electronic market in order to achieve the purpose of integrating the group.

No above transaction occurred during the year ended December 31, 2014.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2014 and 2015, were as follows:

	<u>Land</u>	<u>Building and improvements</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Research and development equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2014	\$ 3,387,140	20,537,363	15,935,903	12,830,083	2,169,312	2,080,067	8,566,996	65,506,864
Additions	-	449,817	1,438,760	252,749	374,172	323,983	2,868,960	5,708,441
Reclassification (Note)	-	3,939,079	2,440,174	1,366,583	318,740	39,059	(4,055,214)	4,048,421
Transfer to expense	-	(892)	(5,867)	-	(223)	-	(4,005)	(10,987)
Disposals	-	(148,233)	(1,909,335)	(507,283)	(293,969)	(212,941)	(409,069)	(3,480,830)
Effect of changes in foreign exchange rates	(11,334)	1,112,830	919,686	2,327	42,502	52,491	341,009	2,459,511
Balance at December 31, 2014	<u>\$ 3,375,806</u>	<u>25,889,964</u>	<u>18,819,321</u>	<u>13,944,459</u>	<u>2,610,534</u>	<u>2,282,659</u>	<u>7,308,677</u>	<u>74,231,420</u>
Balance at January 1, 2015	\$ 3,375,806	25,889,964	18,819,321	13,944,459	2,610,534	2,282,659	7,308,677	74,231,420
Received through merger	-	-	27,963	-	-	9,619	18,987	56,569
Additions	-	77,792	1,549,371	407,215	192,468	108,267	1,449,548	3,784,661
Reclassification (Note)	-	375,604	1,618,859	935,985	35,145	10,582	(279,813)	2,696,362
Transfer to expense	-	-	-	-	(14)	-	(4,147)	(4,161)
Disposals	-	(148,796)	(3,513,342)	(72,695)	(140,408)	(93,749)	(497,556)	(4,466,546)
Effect of changes in foreign exchange rates	19,586	819,430	673,682	830	34,364	36,322	237,068	1,821,282
Balance at December 31, 2015	<u>\$ 3,395,392</u>	<u>27,013,994</u>	<u>19,175,854</u>	<u>15,215,794</u>	<u>2,732,089</u>	<u>2,353,700</u>	<u>8,232,764</u>	<u>78,119,587</u>
Accumulated depreciation								
Balance at January 1, 2014	\$ -	4,630,215	7,681,281	11,672,673	1,303,443	1,318,523	2,972,702	29,578,837
Depreciation	-	1,399,627	2,605,487	1,922,728	354,094	320,767	1,163,086	7,765,789
Reclassification (Note)	-	25,514	(19)	-	-	268	(25,718)	45
Disposals	-	(103,509)	(2,065,420)	(483,509)	(17,680)	(191,732)	(367,635)	(3,229,485)
Effect of changes in foreign exchange rates	-	265,711	405,227	1,080	11,416	30,106	146,989	860,529
Balance at December 31, 2014	<u>\$ -</u>	<u>6,217,558</u>	<u>8,626,556</u>	<u>13,112,972</u>	<u>1,651,273</u>	<u>1,477,932</u>	<u>3,889,424</u>	<u>34,975,715</u>
Balance at January 1, 2015	\$ -	6,217,558	8,626,556	13,112,972	1,651,273	1,477,932	3,889,424	34,975,715
Received through merger	-	-	12,068	-	-	6,514	10,131	28,713
Depreciation	-	1,573,138	3,064,541	1,383,976	385,200	323,871	1,111,490	7,842,216
Reclassification (Note)	-	120,270	4,596	-	-	(3,127)	(121,718)	21
Impairment loss	-	-	-	-	-	-	2,479	2,479
Disposals	-	(148,463)	(2,413,954)	(72,695)	(67,888)	(80,041)	(381,358)	(3,164,399)
Effect of changes in foreign exchange rates	-	256,147	333,862	308	16,110	25,733	125,935	758,095
Balance at December 31, 2015	<u>\$ -</u>	<u>8,018,650</u>	<u>9,627,669</u>	<u>14,424,561</u>	<u>1,984,695</u>	<u>1,750,882</u>	<u>4,636,383</u>	<u>40,442,840</u>
Carrying value								
Balance at January 1, 2014	<u>\$ 3,387,140</u>	<u>15,907,148</u>	<u>8,254,622</u>	<u>1,157,410</u>	<u>865,869</u>	<u>761,544</u>	<u>5,594,294</u>	<u>35,928,027</u>
Balance at December 31, 2014	<u>\$ 3,375,806</u>	<u>19,672,406</u>	<u>10,192,765</u>	<u>831,487</u>	<u>959,261</u>	<u>804,727</u>	<u>3,419,253</u>	<u>39,255,705</u>
Balance at December 31, 2015	<u>\$ 3,395,392</u>	<u>18,995,344</u>	<u>9,548,185</u>	<u>791,233</u>	<u>747,394</u>	<u>602,818</u>	<u>3,596,381</u>	<u>37,676,747</u>

(Note): Reclassifications are mainly transferring from the advance payment for equipment and other assets.

During the year ended December 31, 2015, the Group disposed the building and improvements and equipments. The amounts of the proceeds and the book values of the above-mentioned assets are \$455,475 and \$1,302,147, respectively, resulting in the loss on disposal of property, plant and equipment, \$846,672, accounted for under other gains and losses.

Please refer to note 8 for detail of the property, plant and equipment pledged as collateral as of December 31, 2014 and 2015.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(h) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2014 and 2015, were as follows:

	<u>Patent</u>	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationships</u>	<u>Expertise</u>	<u>Other</u>	<u>Total</u>
<b>Costs:</b>							
Balance at January 1, 2014	\$ 1,148,402	605,750	1,456,575	264,800	2,435	187	3,478,149
Additions	186	-	204,557	-	64,990	28	269,761
Disposals	-	-	(1,949)	-	(2,245)	-	(4,194)
Reclassification (note)	-	(33,277)	(7,684)	-	-	-	(40,961)
Effect of changes in foreign exchange rates	1,769	-	6,248	-	2,924	(10)	10,931
Balance at December 31, 2014	<u>\$ 1,150,357</u>	<u>572,473</u>	<u>1,657,747</u>	<u>264,800</u>	<u>68,104</u>	<u>205</u>	<u>3,713,686</u>
Balance at January 1, 2015	\$ 1,150,357	572,473	1,657,747	264,800	68,104	205	3,713,686
Received through merger	-	224,146	1,681	266,716	72,474	2,407	567,424
Additions	-	-	370,066	-	-	-	370,066
Disposals	-	(31,540)	(18,333)	-	-	-	(49,873)
Reclassification (note)	-	-	(7,389)	-	-	(176)	(7,565)
Effect of changes in foreign exchange rates	6,167	-	4,541	-	2,885	(29)	13,564
Balance at December 31, 2015	<u>\$ 1,156,524</u>	<u>765,079</u>	<u>2,008,313</u>	<u>531,516</u>	<u>143,463</u>	<u>2,407</u>	<u>4,607,302</u>
<b>Accumulated amortization:</b>							
Balance at January 1, 2014	\$ 563,056	-	971,413	264,800	859	46	1,800,174
Amortization	107,564	-	261,792	-	3,733	97	373,186
Disposals	-	-	(1,949)	-	(2,245)	-	(4,194)
Reclassification (note)	-	-	(7,189)	-	-	-	(7,189)
Effect of changes in foreign exchange rates	694	-	4,070	-	109	(3)	4,870
Balance at December 31, 2014	<u>\$ 671,314</u>	<u>-</u>	<u>1,228,137</u>	<u>264,800</u>	<u>2,456</u>	<u>140</u>	<u>2,166,847</u>
Balance at January 1, 2015	\$ 671,314	-	1,228,137	264,800	2,456	140	2,166,847
Received through merger	-	-	1,148	-	-	-	1,148
Amortization	106,055	-	320,073	-	6,860	18	433,006
Disposals	-	-	(18,246)	-	-	-	(18,246)
Reclassification (note)	-	-	11	-	-	(138)	(127)
Effect of changes in foreign exchange rates	677	-	6,890	-	342	(20)	7,889
Balance at December 31, 2015	<u>\$ 778,046</u>	<u>-</u>	<u>1,538,013</u>	<u>264,800</u>	<u>9,658</u>	<u>-</u>	<u>2,590,517</u>
<b>Carrying value</b>							
Balance at January 1, 2014	<u>\$ 585,346</u>	<u>605,750</u>	<u>485,162</u>	<u>-</u>	<u>1,576</u>	<u>141</u>	<u>1,677,975</u>
Balance at December 31, 2014	<u>\$ 479,043</u>	<u>572,473</u>	<u>429,610</u>	<u>-</u>	<u>65,648</u>	<u>65</u>	<u>1,546,839</u>
Balance at December 31, 2015	<u>\$ 378,478</u>	<u>765,079</u>	<u>470,300</u>	<u>266,716</u>	<u>133,805</u>	<u>2,407</u>	<u>2,016,785</u>

(Note): Reclassifications are mainly transferring to property, plant and equipment .

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**WISTRON CORPORATION AND SUBSIDIARIES**  
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1. Amortization

For the years ended December 31, 2014 and 2015, the amortizations of intangible assets recognized in comprehensive income were as following:

	<u>2014</u>	<u>2015</u>
Cast of sales	\$ 7,641	9,304
Operating expense	<u>365,545</u>	<u>423,702</u>
	<u>\$ 373,186</u>	<u>433,006</u>

2. Impairment testing for cash-generating units containing goodwill

- (1) Goodwill has been allocated for the Group's impairment testing purpose to the operating units. The units are the minimum level for the Group to supervise goodwill, and its level is not higher than Group's operating divisions.

The carrying amounts of goodwill were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Developing and manufacturing services cash-generating units	\$ <u>572,473</u>	<u>765,085</u>

- (2) The recoverable amount of developing and manufacturing services cash generating units is in the basis of the value-in-use. The value-in-use is determined by the discounted future cash flow generated in assumption of using the units continuously. The key assumption used in the calculation of the value-in-use containing goodwill were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Revenue growth rate	8%	8%
After-tax discount rate	5.13%	6.17%

The value of key assumptions represents the future trending assessment which the management concerns for its industrial. Both external and internal history information is its concern. There was no impairment as of December 31, 2014 and 2015.

3. As of December 31, 2014 and 2015, the intangible assets were not pledged as collateral.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(i) Other assets — current and noncurrent

	<b>2014.12.31</b>	<b>2015.12.31</b>
Other assets — current:		
Other receivables	\$ 3,461,886	4,923,592
Prepaid royalties	805,288	584,652
Other prepayments	1,158,906	1,093,614
Tax refundables	2,723,256	2,428,882
Others	1,656,087	924,612
	<b>\$ 9,805,423</b>	<b>9,955,352</b>
	<b>2014.12.31</b>	<b>2015.12.31</b>
Other assets — noncurrent:		
Advance payment for equipments	\$ 1,431,272	732,471
Prepaid rent	1,834,452	1,842,665
Others	575,266	645,047
	<b>\$ 3,840,990</b>	<b>3,220,183</b>

As of December 31, 2015, other assets were pledged as collateral for bank loans.

(j) Short-term loans

The details of the Group for short-term loans were as follows:

<b>December 31, 2014</b>			
<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured short-term bank loans CNY	3.600%~4.650%	2015/1/5~2015/2/17	\$ 5,154,770
Unsecured short-term bank loans EUR	1.060%	2015/2/17	134,947
Unsecured short-term bank loans INR	10.000%~11.250%	2015/1/2	163,937
Unsecured short-term bank loans JPY	0.430%~0.940%	2015/1/7~2015/2/17	1,132,350
Unsecured short-term bank loans NTD	1.200%~1.620%	2015/1/15~2015/1/23	876,396
Unsecured short-term bank loans USD	0.820%~6.000%	2015/1/2~2015/12/11	62,960,854
Total			<b>\$ 70,423,254</b>
Unused credit line			<b>\$ 119,692,054</b>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015				
	Currency	Interest rate collars	Expiration	Amount
Unsecured short-term bank loans	AUD	3.450%	2016/1/12~2016/1/13	\$ 12,332
Unsecured short-term bank loans	EUR	0.750%~0.889%	2016/1/22~2016/5/31	534,400
Unsecured short-term bank loans	INR	9.250%	2016/5/11~2016/6/20	121,829
Unsecured short-term bank loans	JPY	0.410%~0.820%	2016/3/31~2016/8/1	1,604,888
Unsecured short-term bank loans	NTD	2.630%~3.450%	2016/6/10~2016/7/28	38,970
Unsecured short-term bank loans	CNY	3.915%~5.800%	2016/1/4~2016/3/30	7,702,628
Unsecured short-term bank loans	SGD	2.170%~2.280%	2016/1/4~2016/1/21	1,054,330
Unsecured short-term bank loans	USD	0.600%~1.850%	2016/1/4~2016/9/21	65,860,166
Secured short-term bank loans	NTD	2.630%~3.450%	2016/6/10~2016/7/28	72,354
Total				\$ <u>77,001,897</u>
Unused credit line				\$ <u>151,379,361</u>

## (k) Long-term loans

The details, conditions and clauses of the Group's long-term loans were as follows:

December 31, 2014				
	Currency	Interest rate collars	Expiration	Amount
Unsecured long-term bank loans	USD	1.406%~2.030%	2016~2018	\$ 19,214,805
Unsecured long-term bank loans	TWD	1.390%~1.795%	2016~2018	945,000
Unsecured long-term bank loans	EUR	1.040%	2016	179,288
Unsecured long-term bank loans	JPY	0.820%	2014~2015	384,685
Unsecured long-term bank loans	CNY	5.230%	2016	295,800
Secured long-term bank loans	JPY	0.940%	2014~2016	15,122
Subtotal				21,034,700
Less: current portion				(1,183,707)
Total				\$ <u>19,850,993</u>
Unused credit line				\$ <u>2,650,047</u>

December 31, 2015				
	Currency	Interest rate collars	Expiration	Amount
Unsecured long-term bank loans	USD	1.485%~1.602%	2018	\$ 12,770,614
Unsecured long-term bank loans	TWD	2.630%~3.670%	2016~2019	376,621
Unsecured long-term bank loans	EUR	0.940%	2017	1,072,591
Secured long-term bank loans	TWD	2.630%~3.670%	2016	6,335
Secured long-term bank loans	JPY	0.660%	2016	7,963
Subtotal				14,234,124
Less: current portion				(165,919)
Total				\$ <u>14,068,205</u>
Unused credit line				\$ <u>1,557,783</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
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Breach of covenant

According to the Group's credit loan facility agreement with the Bank, during the credit term, the Group is committed to maintain the financial ratios. If a breach of covenant occurs, the Group's credit facility is immediately restricted. And without the consent of authorized bank, the credit facility is no longer available for the Group. The Group was in compliance with the above financial covenants as of December 31, 2014 and 2015.

(1) Unsecured convertible bonds

	<b>2014.12.31</b>
Balance at the issuance date	\$ 8,387,960
Unamortized bonds payable discount	(2,690)
Repurchase of bond	(8,275,652)
Exercise of conversion options	(11,812)
Foreign currency valuation	<u>510,158</u>
Bonds payable, net balance at year end	<u><b>\$ 607,964</b></u>
Embedded derivative instrument exercise of conversion options -Accounted for under "Financial liabilities at fair value through profit or loss – current"	<u><b>\$ 58</b></u>
	<b>2014</b>
Embedded derivative instrument – evaluation gain on conversion options -Accounted for under "Financial liabilities at fair value through profit or loss, net"	<u><b>\$ 22,147</b></u>
Interest expense (effective rate 7.007%)	<u><b>\$ 615,601</b></u>

1. The 2<sup>nd</sup> overseas convertible bonds

- (i) Par value: US\$280,000
- (ii) Issue date: January 19, 2012
- (iii) Maturity date: January 19, 2015
- (iv) Coupon rate: 0%

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(v) Conversion option:

Bondholders may convert bonds into the Company's common shares at any time starting the 31<sup>st</sup> day from the issuance date until 10 days prior to the maturity date. As of December 31, 2014, the conversion price was NT\$36.55 per common share, with a fixed exchange rate of NT\$29.957 to US\$ 1, subject to adjustment by the formula provided under the issue terms if the Company's outstanding common shares are increased.

(vi) Redemption at the option of the Company

A. At any time on or after July 19, 2013 and prior to the maturity date, the closing price (translated into U.S. dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 120% of the early redemption amount for 20 consecutive trading days.

B. If more than 90% of the bonds has been redeemed, repurchased or converted;

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

(vii) Redemption at Maturity

Unless previously redeemed, converted or repurchased and cancelled, the Company shall redeem the bonds at a redemption price of their principal amount plus a gross yield of 1.5% per annum (calculated on a semi-annual basis) on January 19, 2015.

(m) Provisions

	2014	2015
Balance at January 1	\$ 1,859,245	1,745,993
Provision made	1,745,213	2,338,343
Provision used	(1,984,731)	(2,084,927)
Effect of changes in foreign exchange rates	126,266	85,091
Balance at December 31	\$ <b>1,745,993</b>	<b>2,084,500</b>

The provision of warranty mainly relates to the selling of electronic products. The provision for warranties represents the estimate basing on historical warranty trends of business, the return of damage products and the warranty term. And the warranty costs are accounted for under "Cost of sales". The Group estimates that the warranty usually occurs in three to six months after sales.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(n) Operating leases

The Group leases the land, offices, warehouses and facilities under operating leases. The future rental commitments are as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Less than one year	\$ 517,521	552,892
Between one and five years	1,170,972	1,090,739
More than five years	<u>431,378</u>	<u>251,171</u>
	<u>\$ 2,119,871</u>	<u>1,894,802</u>

The operating lease expenses for the years ended December 31, 2014 and 2015 are \$1,109,316 and \$1,117,780, respectively.

Based on the residual value of leased assets not assured by the Group and the risks and rewards of leased asset not transferred to the Group, the lease are considered as operating lease.

(o) Employee benefits

1. Defined benefit plans

The movements in the present value of the defined benefit obligations and net defined benefit assets and liabilities were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Present value of defined benefit obligations	\$ 7,846	8,638
Fair value of plan assets	<u>(9,909)</u>	<u>(10,174)</u>
	(2,063)	(1,536)
The effect of limiting net defined benefit assets to the asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit assets (accounted for under "Other assets – noncurrent")	<u>\$ 2,063</u>	<u>(1,536)</u>
	<u>2014.12.31</u>	<u>2015.12.31</u>
Present value of defined benefit obligations	\$ 1,752,849	1,804,669
Fair value of plan assets	<u>(802,810)</u>	<u>(748,378)</u>
	<u>950,039</u>	<u>1,056,291</u>
The effect of limiting net defined benefit assets to the asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities (accounted for under "other liabilities – noncurrent")	<u>\$ 950,039</u>	<u>1,056,291</u>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The domestic Group entities make defined benefit plans contributions to the pension fund account to Bank of Taiwan and Taipei Fubon commercial bank that provide pension for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment equal to the average salary based on years of service and six months prior to retirement.

The foreign Group entities, WPH and WJP, adopted defined benefit plans.

#### (1) Composition of plan assets

The domestic Group entities set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The foreign Group entities make defined benefit plans contributions to the pension fund in accordance with the local regulations.

The Group's labor pension reserve account balance amounted to \$812,490 and \$758,649 as of December 31, 2014 and 2015. The utilization of the labor pension fund assets includes the asset the domestic Group entities allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

#### (2) The movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations were as follows:

	<b>2014</b>	<b>2015</b>
Balance at January 1	\$ 1,752,125	1,760,695
Current service cost and interests	63,239	58,824
Benefit paid by the plan	(96,675)	(111,834)
Benefit paid by the Company	(146)	(1,493)
Net remeasurements of defined benefit liability		
— Actuarial losses (gains) arising from changes in financial assumptions	(1,106)	56,020
— Experience adjustments	46,373	50,808
Effect of change in foreign exchange rates	(3,115)	287
Balance at December 31	\$ <b>1,760,695</b>	<b>1,813,307</b>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (3) The movements in the fair value of the plan assets

The movements in the fair value of an employee benefit plan were as follows:

	2014	2015
Fair value of plan assets at January 1	\$ 852,865	812,719
Contribution from plan participants	37,417	37,433
Benefit paid by the plan	(96,675)	(111,834)
Expected return on plan assets	17,269	16,317
Net remeasurements of defined benefit liability		
-Return on plan assets	1,843	3,917
Balance at December 31	\$ <b>812,719</b>	<b>758,552</b>

- (4) The movements in effect of limiting net defined benefit assets to the asset ceiling

As of December 31, 2014 and 2015, there is no change in effect of limiting net defined benefit assets to the asset ceiling.

- (5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2014 and 2015, were as follow:

	2014	2015
Current service cost	\$ 28,050	23,440
Net interest on the net defined benefit liability	35,189	35,384
Net remeasurements of defined benefit liability	1,843	3,917
Gain from curtailment	(584)	-
Expected return on plan assets	(19,112)	(20,234)
	\$ <b>45,386</b>	<b>42,507</b>
Cost of sales	\$ 9,528	7,562
Selling expenses	6,902	8,445
Administrative expenses	6,558	6,379
Research and development expenses	22,398	20,121
	\$ <b>45,386</b>	<b>42,507</b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- (6) The remeasurements of the net defined benefit liability recognized in other comprehensive income

As of December 31, 2015 and 2014, the Company's remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	<u>2014</u>	<u>2015</u>
Balance as of January 1	\$ -	35,519
Recognized during the year	<u>35,519</u>	<u>103,450</u>
Balance as of December 31	<u>\$ 35,519</u>	<u>138,969</u>

- (7) Actuarial assumptions

The following were the Group's principal actuarial assumptions at the reporting date:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Discount rate	2%~4.9%	1.875%~4.9%
Future salary increases	1.55%~5%	1.16%~5%

The Company expects to make contributions of \$41,786 to the defined benefit plans in the year ended December 31, 2015. The weighted average of the defined benefit obligation is 16.87 ~ 17.23 years.

- (8) Sensitivity analysis

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
2015.12.31		
Discount rate	\$ (57,666)	60,271
Future salary increases	58,578	(56,442)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Defined contribution plans

The domestic Group entities set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The domestic Group entities set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The foreign Group entities are in accordance with local regulations.

The Group set aside \$404,687 and \$411,826 of the pension under the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2014 and 2015.

(p) Income Taxes

1. Income tax expense

The details of income tax expense for the years ended December 31, 2014 and 2015, were as follows:

	<u>2014</u>	<u>2015</u>
Current tax expense		
Current period	\$ 2,542,926	1,687,071
Adjustments for prior periods	<u>405,814</u>	<u>(157,432)</u>
	<u>2,948,740</u>	<u>1,529,639</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary difference	<u>(1,695,331)</u>	<u>(430,169)</u>
Income tax expense	<u>\$ 1,253,409</u>	<u>1,099,470</u>

The amounts of income tax benefit recognized in other comprehensive income for the years ended December 31, 2014 and 2015, were as follows:

	<u>2014</u>	<u>2015</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit liability	\$ <u>-</u>	<u>(17,758)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ 418	489
Unrealized losses on available-for-sale financial assets	<u>(16,312)</u>	<u>(17,503)</u>
	<u>\$ (15,894)</u>	<u>(17,014)</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. The reconciliation of income tax expense and profit before tax for the years ended December 31, 2014 and 2015 were as follows:

	<u>2014</u>	<u>2015</u>
Profit before tax (note)	\$ <u>4,844,257</u>	<u>2,370,365</u>
Estimated income tax calculated based on financial income before tax at the Company's statutory tax rate	823,524	402,962
Tax effects of different tax rates applicable in foreign jurisdiction	422,353	271,933
10% surtax on undistributed earnings	149,635	232,444
Non-deductible expense and unrealized loss	161,279	39,833
Tax-exempt income and unrealized gain	(210,821)	(288,805)
Investment tax credits	(185,000)	(170,000)
Current-year losses for which no deferred tax asset was recognized	305,315	298,833
Change in unrecognized deductible temporary difference	(22,322)	125,260
Prior-period tax adjustments	405,814	(157,432)
Others	(596,368)	344,442
	<u>\$ <b>1,253,409</b></u>	<u><b>1,099,470</b></u>

(note): Profit before tax for the year ended December 31, 2015 had been restated.

3. Deferred tax assets and liabilities

- (1) Unrecognized deferred income tax liability

There was no significant unrecognized deferred tax liability as of December 31, 2014 and 2015.

- (2) Unrecognized deferred tax assets

As of December 31, 2014 and 2015, the details of unrecognized deferred tax assets were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Tax losses	\$ 538,015	702,609
Deductable temporary differences	63,226	188,486
	<u>\$ <b>601,241</b></u>	<u><b>891,095</b></u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of ten years. As of December 31, 2015, the Group's loss carryforwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

<u>Expiry year</u>	<u>Recognized un-deducted operating loss</u>	<u>Unrecognized un-deducted operating loss</u>	<u>Total</u>
2015	\$ -	8,055	8,055
2016	-	19,227	19,227
2017	103,326	8,139	111,465
2018	376,824	9,625	386,449
2019	932,699	63,710	996,409
2020	169,932	541,002	710,934
2021	-	46	46
2022	-	5	5
2023	-	2,778	2,778
2024	-	17,878	17,878
2025	17,547	32,140	49,687
After 2026	<u>272,885</u>	<u>4</u>	<u>272,889</u>
	<b>\$ <u>1,873,213</u></b>	<b><u>702,609</u></b>	<b><u>2,575,822</u></b>

## (3) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2014 and 2015 were as follows:

	<u>Recognized share of gain of subsidiaries and associates accounted for equity method</u>	<u>Unrealized exchange gain</u>	<u>Provision</u>	<u>Unrealized sales discount</u>	<u>Loss carryforwards</u>	<u>Tax difference arising from depreciation of property, plant and equipment</u>	<u>Other</u>	<u>Total</u>
<b>Deferred tax assets:</b>								
Balance at January 1, 2014	\$ 334,289	360,319	309,214	230,362	519,656	804,448	603,542	3,161,830
Recognized in profit or loss	52,490	306,948	(19,186)	48,335	1,015,093	82,179	(188,894)	1,296,965
Recognized in other comprehensive income	-	-	-	-	-	-	16,312	16,312
Balance at December 31, 2014	<u>\$ 386,779</u>	<u>667,267</u>	<u>290,028</u>	<u>278,697</u>	<u>1,534,749</u>	<u>886,627</u>	<u>430,960</u>	<u>4,475,107</u>
Balance at January 1, 2015	\$ 386,779	667,267	290,028	278,697	1,534,749	886,627	430,960	4,475,107
Recognized in profit or loss	35,944	(98,464)	52,571	283,495	338,464	(108,918)	447,572	950,664
Recognized in other comprehensive income	-	-	-	-	-	-	35,261	35,261
Balance at December 31, 2015	<u>\$ 422,723</u>	<u>568,803</u>	<u>342,599</u>	<u>562,192</u>	<u>1,873,213</u>	<u>777,709</u>	<u>913,793</u>	<u>5,461,032</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Recognized share of gain of subsidiaries and associates accounted for equity method	Unrealized exchange gain	Other	Total
<b>Deferred income tax liabilities:</b>				
Balance at January 1, 2014	\$ 4,125,128	569,602	90,434	4,785,164
Recognized in profit or loss	132,736	(567,066)	35,964	(398,366)
Recognized in other comprehensive income	-	-	418	418
Balance at December 31, 2014	<u>\$ 4,257,864</u>	<u>2,536</u>	<u>126,816</u>	<u>4,387,216</u>
Balance at January 1, 2015	\$ 4,257,864	2,536	126,816	4,387,216
Recognized in profit or loss	249,428	(2,536)	273,603	520,495
Recognized in other comprehensive income	-	-	489	489
Balance at December 31, 2015	<u>\$ 4,507,292</u>	<u>-</u>	<u>400,908</u>	<u>4,908,200</u>

4. The ROC income tax authorities have examined the Company's income tax returns for all years through 2013.
5. Integrated income tax information

As of December 31, 2014 and 2015, the Company's integrated income tax information was as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Unappropriated earnings, before January 1, 1998	\$ -	-
Unappropriated earnings, from January 1, 1998	15,300,133 (Note)	13,606,494
	<u>\$ 15,300,133</u>	<u>13,606,494</u>
Balance of deductible tax account	<u>\$ 1,756,798</u>	<u>3,018,463</u>
	<u>2014(actual)</u>	<u>2015(estimated)</u>
Creditable ratio for earnings distribution to domestic stockholders	<u>17.07%</u>	<u>25.97%</u>

(Note) The amount is before the restatement according to the IFRSs 2013. Please refer to note 3(a) for the significant impacts of IFRSs 2013.

According to the announcement by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree. The deductible tax amount of an individual shareholder residing in the territory of R.O.C. is calculated by 50% of its original tax deduction ratio. However, in case that the gross dividends or the gross earnings received by the shareholder residing outside the territory of R.O.C. contain any income subject to a 10% surcharge of a profit-seeking income tax which was actually paid under the provisions of Article 66-9 hereof, half of the amount of the surcharged profit-seeking income tax may be offset against the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

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**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****6. Appeals for administrative remedies**

- (1) For 2008, the tax authorities assessed the Company for an additional income tax of \$57,297 as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2008 income tax returns. The tax authorities adjudicated on returning income tax for \$2,321 in October, 2015.
- (2) For 2009, the tax authorities assessed the Company for an additional income tax of \$41,154, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the tax authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2009 income tax returns. The Company had filed an administrative litigation and the tax authorities adjudicated to maintain the original assessment.
- (3) For 2010, the tax authorities assessed the Company for an additional income tax of \$265,765, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2010 income tax returns. The tax authorities adjudicated to return income tax for \$9,496 in November, 2015.
- (4) For 2011, the tax authorities assessed the Company for an additional income tax of \$409,169, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2011 income tax returns. As of December 31, 2015, the appeal of the aforementioned returns was still in progress.
- (5) For 2012, the tax authorities assessed the company for an additional income tax of \$307,178 and 10% surtax on undistributed earnings \$80,027. The income tax is as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credit. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2012 income tax returns. As of December 31, 2015, the appeal of the aforementioned returns was still in progress.
- (6) For 2013, the tax authorities assess the Company for additional income tax of \$331,692, as the tax authorities reduced some of the Company's amortization expense and rejected some of the Company's investment credits. However, the Company disagreed with the authority's assessment and filed an appeal to tax authorities for administrative remedies of it's 2013 income tax returns. As of December 31, 2015, the appeal of the aforementioned returns was still in progress.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(q) Capital and Other Equities

As of December 31, 2014 and 2015, the Company's authorized common stock consisted of 3,000,000,000 shares with a par value of \$10 per share, of which 2,468,267,000 shares and 2,555,482,000 shares, respectively, were issued and outstanding.

1. Capital

On June 26, 2015, the Company's shareholders approved a resolution to distribute the retained earnings and employee bonuses with the amounts of \$740,480 and \$691,782, totaling \$1,432,262, which consisted of 107,116,000 shares, wherein, 30 shares per thousand shares are to be distributed as stock dividend. However, the Company repurchased its treasury stock and the distribution had been changed to 30.74742 shares per thousand shares accordingly. The dividend distribution date was set on August 12, 2015, and all related registration procedures had been completed.

The Company's Board of Directors approved a resolution to retire restricted employee share of stock amounting to 19,901,000 shares with a face value of \$199,010. The recognition date for capital reduction was August 13, 2015, and all related registration procedures had been completed.

On June 11, 2014, the Company's shareholders approved a resolution to distribute the retained earnings and employee bonuses with the amounts of \$475,632 and \$617,696, totaling \$1,093,328, which consisted of 72,571,000 shares, wherein, 20 shares per thousand shares are to be distributed as stock dividend. However, the Company repurchased its treasury stock and the distribution had been changed to 20.02637 shares per thousand shares accordingly. The dividend distribution date was set on August 4, 2014, and all related registration procedures had been completed.

The Company's Board of Directors approved a resolution to retire restricted employee share of stock amounting to 3,138,000 shares with a face value of \$31,380. The recognition date for capital reduction was August 3, 2014, and all related registration procedures had been completed.

For the year ended December 31, 2014, the Company issued 20,674,000 shares of common stock, resulting from exercising of employee stock option.

2. Treasury stock

(1) During the year ended December 31, 2015, the Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act,.

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## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (2) According to the Securities and Exchange Act, 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. Based on the amounts of the financial statement as of September 30, 2015, the Company could repurchase no more than 255,548,000 shares, with a total value of no more than \$40,359,791. As of December 31, 2015, the Company had repurchased 140,000,000 shares, with a total value of \$2,721,183.

#### 3. Capital surplus

Balances of capital surplus at the reporting date were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000
A premium issuance of common shares for cash	18,520,836	18,881,938
Surplus arising from equity-accounted investees	49,095	98,730
Employee stock options	65,434	65,434
Restricted employee shares of stock	6,620	(163,775)
Transaction of treasury stock	-	25,001
	<u>\$ 20,441,985</u>	<u>20,707,328</u>

In accordance with Amended Companies Act 2012, realized capital surplus can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

#### 4. Unappropriated earnings

The Company's Article of Incorporation stipulate that if the Company has profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reversed special reserve, shall be set aside (hereinafter referred to as "profit from the current year"), along with any undistributed profits accumulated from previous years to be identified as profits to be distributed, in accordance with the Securities and Exchange Act. The balance, if any, will be distributed in accordance with the following:

- i) No less than five percent of profit from the current year as employees' bonus shall be included; where such bonus is distributed by shares, employees of controlled companies, with qualifications set by the Board of Directors;

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- ii) One percent of profit from the current year as the compensation in cash to the Directors;
- iii) The rest as working capital of the Company and dividends to shareholders will not less than ten percent of profit from the current year.

(1) Legal reserve

According to the amended ROC Company Act, which was published in January 2012, a company shall first set aside ten percent of its net income as legal reserve. When the balance of such legal reserve reaches an amount that is equal to the paid-in capital, the appropriation to legal reserve is discontinued. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of legal reserve which exceeds twenty-five percent of the paid-in capital may be distributed.

(2) Special reserve

In pursuant to the regulations promulgated by the Financial Supervisory Commission, a special reserve equal to the total amount of contra accounts that are accounted for as deductions to the stockholders' equity shall be set aside from current earnings, and should not be distributed. This special reserve shall be made available for appropriation when these contra accounts to stockholders' equity are reversed in subsequent periods.

(3) Dividends

As the Company is a technology- and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of stock dividend is not lower than ten percent of total distribution of dividends.

(4) Earnings Distribution

The appropriation of 2013 earnings that was approved at the shareholders' meeting on June 11, 2014 and the appropriation of 2014 earnings that was approved at the shareholders' meeting on June 26, 2015 were as follows:

	<u>2013</u>	<u>2014</u>
Cash dividends	\$ 4,280,688	2,961,921
Stock dividends	<u>475,632</u>	<u>740,480</u>
	<u>\$ 4,756,320</u>	<u>3,702,401</u>

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<b>2013</b>	<b>2014</b>
Employee bonus— stock	\$ 617,696	691,782
Directors' compensation— cash	62,304	46,150
	<b>\$ 680,000</b>	<b>737,932</b>

The aforementioned distribution of common stock was no difference between the actual amounts and the amounts approved at the shareholders' meeting in 2013 and 2014. The Company recognized the employee bonuses of \$354,275 and the directors' compensation of \$32,207 in 2014. The differences amounting to \$351,450, between the actual amounts and the amounts recognized in 2014, were recognized under profit and loss in 2015. The Company recognized the employee bonuses of \$623,333 and the directors' compensation of \$56,667 in 2013. There were no differences between the actual amounts and the amounts recognized in 2013. In addition, the employee bonuses appropriated in 2013 and 2014 is determined based on the closing price (after considering the effect of dividends) on the day before the approval of shareholders' meeting in 2014 and 2015, respectively.

The employee bonus and the directors' emoluments of the Company were as follows:

	<b>2014</b>
Employee bonus	\$ 354,275
Directors' compensation	32,207
	<b>\$ 386,482</b>

The employee bonus and directors' compensation were estimated based on the net income for the year ended December 31, 2014 and recognized under operating cost and operating expense in 2014. If there are any significant changes between the accrued amounts and actual amount decided by the board of directors after the year end, the expense for the year accrued should be adjusted. The difference between the amounts of employee bonus and directors' compensation approved in the shareholders' meeting and those recognized in the financial statements, if any, will be accounted for as a change in accounting estimation and recognized in profit or loss in the following year. In addition, the number of shares distributable to employees as employee bonus is determined based on the closing price (after considering the effect of dividends) on the day before the approval of shareholders' meeting.

Appropriations for 2013 and 2014 employee bonus and directors' compensation, and the related information can be obtained from the public information website.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

5. Other equity, net of tax

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Other equity- deferred compensation
	Group	Associates	Group	Associates	Group
Balance at January 1, 2014	\$ (1,986,584)	35,170	(873,411)	36,271	(530,121)
Foreign currency translation differences (net of tax)	3,068,217	64,764	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	(37,050)	27,216	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	219,208
Balance at December 31, 2014	<u>\$ 1,081,633</u>	<u>99,934</u>	<u>(910,461)</u>	<u>63,487</u>	<u>(310,913)</u>
Balance at January 1, 2015	\$ 1,081,633	99,934	(910,461)	63,487	(310,913)
Foreign currency translation differences (net of tax)	2,335,553	(74,375)	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	441,504	(2,726)	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	288,524
Balance at December 31, 2015	<u>\$ 3,417,186</u>	<u>25,559</u>	<u>(468,957)</u>	<u>60,761</u>	<u>(22,389)</u>

(r) Share-based payment transactions

As of December 31, 2015, the Group's share-based payment transactions were as follows:

	2007 Employee stock options plan	2013 Restricted employee shares of stock
Grant date	2007.10	2013.8.30
Granted units	105,000,000 Units	62,795,000 Shares
Exercise price / share (dollars)	61	0
Contract period	7 yeas	2, 3 and 4 years
Recipients	Employees of the Company	Employees of the Company
Vesting conditions	(Note1)	(Note2)

Note1: The holders of the options can exercise those options at the ratio mentioned below beginning two years at the grant date:

Grant period	Exercise ratio (cumulative)
2 years after the grant date	1/3
3 years after the grant date	2/3
4 years after the grant date	3/3

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note2: During their meeting on June 21, 2012, the Company's stockholders approved a resolution to issue 62,795,000 new restricted employee shares of stock to those full-time employees who conformed to the Company's certain requirements. These restricted employee shares of stock have been registered and approved by the ROC Securities and Futures Bureau of Financial Supervisory Commission. On October 30, 2012, the board of directors approved a resolution to issue 62,795,000 restricted employee shares of stock to their employees.

These employees are entitled to purchase the restricted shares of stock at the price of \$0, with the condition that these employees will continue to provide service to the Company for at least 2 years, 3 years and 4 years (from the grant date) and qualify with the Company's certain requirements. Based on the annual achievement situation of the Company's certain requirements, the restricted employee shares of stock are vested from 0% to 33% annually. The restricted shares of stock for employees are kept by a trust, which is appointed by the Company before they are vested. These shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shareholders are executed by the custodian, and the custodian will act accordingly based on law and regulations. If the shares remain unvested after the vesting period, the Company will retrieve all the unvested shares pricelessly and subsequently retire these shares.

1. Employee stock option plan:

- (i) The information related to the employee stock option plan for the year ended December 31, 2014 was as follows:

Stock options	2014	
	Weighted-average exercise price (NT\$)	Number of options (in thousands)
Outstanding balance at the beginning of year	26.6	53,540
Options exercised	26.6	(20,674)
Options expired	-	(32,866)
Outstanding balance at the end of year		-
Exercisable number at the end of year		-

- (ii) Aforementioned employee stock option plan ended on November 16, 2014. Therefore, the Company has no outstanding and exercisable stock option as of December 31, 2014 and 2015.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Restricted employee shares of stock:

The number of the restricted employee shares of stock (in thousands) for the years ended December 31, 2014 and 2015, were as follows:

	<u>2014</u>	<u>2015</u>
Outstanding at the beginning of year	62,795	59,657
Retired	<u>(3,138)</u>	<u>(19,901)</u>
Outstanding at the end of year	<u><u>59,657</u></u>	<u><u>39,756</u></u>

The Company adopted the Black-Sholes model to calculate the fair value of the restricted employee shares of stock at the grant date. The assumptions adopted in this valuation model were as follows:

Current market price	26.85
Exercise price	0
Expected life	4 years
Expected volatility	24.94%~28.92%
Risk-free interest rate	0.4620%

For the years ended December 31, 2014 and 2015, the accrued (reversed) compensation cost for the restricted employee shares of stock amounted to \$219,208 and \$(80,881), which had been recorded under cost of sales and operating expenses.

(s) Earnings per share

	<u>2014</u>	<u>2015</u>
Basic EPS:		
Net profit belonging to common shareholders (Note)	\$ <u><u>3,580,393</u></u>	<u><u>1,334,094</u></u>
Weighted average common stock outstanding (in thousands)	<u>2,454,680</u>	<u>2,438,906</u>
	\$ <u><u>1.46</u></u>	<u><u>0.55</u></u>
Diluted EPS:		
Net profit belonging to common shareholders	\$ <u><u>3,580,393</u></u>	<u><u>1,334,094</u></u>
Weighted average common stock outstanding (in thousands)	2,454,680	2,438,906
Effect of potentially dilutive common stock (in thousands):		
Convertible bonds	-	785
Employee bonus	23,375	46,871
Restricted employee shares of stock (Note)	35,991	35,677
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>2,514,046</u>	<u>2,522,239</u>
	\$ <u><u>1.42</u></u>	<u><u>0.53</u></u>

(Note): The net profit of the year ended December 31, 2014 had been restated.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following items contain anti-dilutive effect, and hence they are not included in the calculation of weighted average number of shares (diluted) (in thousands).

	<u>2014</u>	<u>2015</u>
Convertible bonds	\$ <u>220,464</u>	<u>-</u>
(t) Revenue		
	<u>2014</u>	<u>2015</u>
Computer, Communication & Consumer electronics	\$ 534,966,069	504,428,441
Others	<u>57,380,665</u>	<u>118,845,547</u>
	<u>\$ 592,346,734</u>	<u>623,273,988</u>
(u) Non-operating income and expenses		
1. Other income		
	<u>2014</u>	<u>2015</u>
Interest income	\$ 2,951,969	1,609,279
Dividend income	84,445	132,890
Rental income	<u>73,144</u>	<u>74,298</u>
	<u>\$ 3,109,558</u>	<u>1,816,467</u>
2. Other gain and loss		
	<u>2014</u>	<u>2015</u>
Foreign exchange gains, net	\$ 313,167	672,057
Gains on disposal of investments, net	10,406	8,149
Losses on disposal of property plant and equipment, net	(94,333)	(846,672)
Gains on valuation financial liabilities by fair value, net – convertible bonds	22,147	-
Gains (losses) on valuation of financial assets (liabilities) by fair value, net	(74,319)	947,135
Other investment loss, net	-	(426,594)
Impairment losses	(44,131)	(174,272)
Others	<u>251,272</u>	<u>(354,001)</u>
	<u>\$ 384,209</u>	<u>(174,198)</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 3. Finance costs

	<b>2014</b>	<b>2015</b>
Interest expenses		
Bank loans	\$ (1,782,973)	(1,862,406)
Amortization of discount for convertible bonds and issue cost	(615,601)	-
	<b>\$ (2,398,574)</b>	<b>(1,862,406)</b>

## (v) Employee's and directors' compensation

According to the Company's Article of Incorporation which is approved by the Board of Directors but not yet resolute by the meeting of shareholders, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

1. No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.
2. No more than 1% of profit as the compensation in cash to the Directors

The Company accrued and recognized employees' and directors' compensation amounted to \$496,015 and \$24,565, respectively, basing on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under cost of sales and operating expense for the year ended December 31, 2015.

The difference between the amounts of employees' and directors' compensation approved in the shareholders' meeting and those recognized in the financial statements, if any, will be accounted for as a change in accounting estimation and recognized in profit or loss in the following year.

## (w) Financial instruments

## 1. Credit risk

## (i) Exposure to credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(ii) Concentration of credit risk

The Group's majority customers are in high-tech industries. To reduce concentration of credit risk, the Group evaluates customers' financial positions periodically and requires customers to provide collateral or promissory notes, if necessary. In addition, the Group evaluates the aging of accounts receivable periodically, accrue allowance for doubtful accounts and purchasing insurance contracts of accounts receivable, if necessary. Historically, bad debt expense has always been under management's expectation. As of December 31, 2014 and 2015, 72% and 76% of the Group's accounts receivable were concentrated on 5 and 6 specific customers, respectively. Accordingly, concentrations of credit risk exist.

2. Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>As of December 31, 2014</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 70,423,254	70,540,577	70,540,577	7,807	-	-
Long-term loans (including current portion)	21,034,700	22,010,298	1,676,702	2,603,414	17,730,182	-
Notes and accounts payable (including related parties)	111,750,729	111,750,729	111,750,729	-	-	-
Other payables (including related parties)	12,045,279	12,045,279	12,045,279	-	-	-
Bonds payable	607,964	607,964	607,964	-	-	-
Subtotal	<u>215,861,926</u>	<u>216,954,847</u>	<u>196,621,251</u>	<u>2,611,221</u>	<u>17,730,182</u>	<u>-</u>
Derivative financial liabilities						
Embedded derivative instrument-bonds conversion option	\$ 58	58	58	-	-	-
Foreign currency swap contacts:						
Outflow	204,118	38,438,007	38,438,007	-	-	-
Inflow	-	(38,233,889)	(38,233,889)	-	-	-
Carrying amount	<u>204,118</u>	<u>204,118</u>	<u>204,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	15,679	420,468	420,468	-	-	-
Inflow	-	(404,789)	(404,789)	-	-	-
Carrying amount	<u>15,679</u>	<u>15,679</u>	<u>15,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cross currency swap contracts:						
Outflow	1,711	253,744	253,744	-	-	-
Inflow	-	(252,033)	(252,033)	-	-	-
Carrying amount	<u>1,711</u>	<u>1,711</u>	<u>1,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>221,566</u>	<u>221,566</u>	<u>221,566</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 216,083,492</u>	<u>217,176,413</u>	<u>196,842,817</u>	<u>2,611,221</u>	<u>17,730,182</u>	<u>-</u>
<b>As of December 31, 2015</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 77,001,897	77,102,022	77,102,022	-	-	-
Long-term loans (including current portion)	14,234,124	14,705,033	1,672,833	4,283,169	8,749,031	-
Notes and accounts payable (including related parties)	101,303,277	101,303,277	101,303,277	-	-	-
Other payables (including related parties)	13,765,545	13,736,545	13,765,545	-	-	-
Subtotal	<u>206,304,843</u>	<u>206,875,877</u>	<u>193,843,677</u>	<u>4,283,169</u>	<u>8,749,031</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	1,639,628	88,599,148	88,599,148	-	-	-
Inflow	-	(86,959,520)	(86,959,520)	-	-	-
Carrying amount	<u>1,639,628</u>	<u>1,639,628</u>	<u>1,639,628</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
Foreign currency forward contracts:						
Outflow	\$ 58,209	2,731,369	2,731,369	-	-	-
Inflow	-	(2,673,160)	(2,673,160)	-	-	-
Carrying amount	58,209	58,209	58,209	-	-	-
Subtotal	1,697,837	1,697,837	1,697,837	-	-	-
Total	<u>\$ 208,002,680</u>	<u>208,573,714</u>	<u>195,541,514</u>	<u>4,283,169</u>	<u>8,749,031</u>	<u>-</u>

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

### 3. Currency risk

#### (1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were as follows:

	2014.12.31			2015.12.31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>						
<u>Monetary items</u>						
USD	4,237.87	USD/BRL=2.661	134,417	5,058.80	USD/BRL=3.963	167,274
	118.00	USD/COP=2,424.700	3,743	133.20	USD/COP=3,208.900	4,404
	44,580.04	USD/CZK=22.820	1,413,990	52,673.48	USD/CZK=24.754	1,741,701
	32.22	USD/HKD=7.756	1,022	47.98	USD/HKD=7.750	1,586
	254.00	USD/INR=62.880	8,056	1,057.00	USD/INR=66.220	34,951
	6,794.38	USD/JPY=119.550	215,504	5,597.32	USD/JPY=120.410	185,081
	1,742.36	USD/MXN=14.738	55,264	1,566.91	USD/MXN=17.380	51,812
	14.47	USD/MYR=3.502	459	8.00	USD/MYR=4.297	265
	1,635,100.18	USD/TWD=31.718	51,862,107	2,338,834.03	USD/TWD=33.066	77,335,886
	33,671.04	USD/CNY=6.194	1,067,978	69,106.55	USD/CNY=6.488	2,285,077
	25,530.67	USD/SGD=1.320	809,782	28,547.97	USD/SGD=1.407	943,967
	673.18	USD/TRY=2.329	21,352	236.02	USD/TRY=2.915	7,804
CNY	59,944.00	CNY/TWD=5.121	306,985	24,690.08	CNY/TWD=5.097	125,843
	5,113,895.04	CNY/USD=0.161	26,189,279	1,924,220.93	CNY/USD=0.154	9,807,562
<b>Financial liabilities</b>						
<u>Monetary items</u>						
USD	9,312.39	USD/BRL=2.661	295,370	5,363.92	USD/BRL=3.963	177,363
	2,000.00	USD/COP=2,424.700	63,436	2,000.00	USD/COP=3,208.900	66,132
	6,893.97	USD/CZK=22.820	218,663	7,182.73	USD/CZK=24.754	237,504
	0.62	USD/HKD=7.756	20	7.40	USD/HKD=7.750	245
	3,202.00	USD/INR=62.880	101,561	9,436.00	USD/INR=66.220	312,011
	35.70	USD/JPY=119.550	1,132	563.98	USD/JPY=120.410	18,648
	6,041.86	USD/MXN=14.738	191,636	7,093.94	USD/MXN=17.380	234,568
	1,000.00	USD/MYR=3.502	31,718	2,500.00	USD/MYR=4.297	82,665
	3,492,619.20	USD/TWD=31.718	110,778,896	2,865,451.79	USD/TWD=33.066	94,749,029
	29,695.44	USD/CNY=6.194	941,880	87,205.15	USD/CNY=6.488	2,883,525
	70,420.69	USD/SGD=1.320	2,233,603	57,912.07	USD/SGD=1.407	1,914,921
CNY	861,493.48	CNY/TWD=5.121	4,411,880	1,191,100.00	CNY/TWD=5.097	6,070,918
	1,944,679.82	CNY/USD=0.161	9,959,094	2,008,674.27	CNY/USD=0.154	10,238,012

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(2) Currency risk sensitivity analysis**

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency.

A Strengthening (weakening) 5 % of appreciation (depreciation) of the TWD against the USD and the CNY as of December 31, 2014 and 2015, would increase (decrease) the net profit after tax by \$1,956,266 and \$1,008,132, respectively. The analysis assumes that all other variables remain constant.

**4. Interest analysis**

Please refer to the attached note for the liquidity risk management and the Group's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increase / decrease by 25 basis points, the Group's net profit after tax would decrease/increase by \$162,829 and \$99,023 for the years ended December 31, 2014 and 2015, with all other variable factors that remain constant. This is mainly due to the Group's borrowings in floating variable rate.

**5. Fair value****(i) Categories and fair values of financial instruments**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(iii) Discount rate to determine the Fair value

The interest rates for discounting estimating cash flows were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Guarantee deposits	1.370%~1.415%	1.200%~1.225%
Long-term loans	0.009%~4.120%	0.508%~2.950%
Bonds payable	1.346%~1.448%	-

(iv) Transfer from Level 1 to Level 2.

For the year ended December 31, 2014, the available-for-sale financial assets measured at fair value with a carrying amount of \$0 were transferred from Level 1 to Level 2 because the fair value for such equity securities had become unavailable from the active market. Except for the aforementioned transfer, there were no transfers of financial assets from each level for the years ended December 31, 2014 and 2015.

(v) Changes between Level 3: none

The Group's beneficial and adverse change refers to the fluctuation of the fair value, and the fair value is calculated by parameters at any unobservable level and valuation technique. The above table only reflects the effect which results from the single parameter changes, and does not consider the correlation and variability between parameters, even if there is more than one parameter that would affect the fair value.

(x) Concentration of financial risk

1. By using financial instruments, the Group is exposed to risks as below:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

Detailed information about exposure risk arising from the aforementioned risks was listed below. The Group's objective, policies and processes for managing risks and methods used to measure the risk arising from financial instruments.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Risk management framework

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Shareholder's meeting regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments to which the Group is exposed to. The Group's internal auditors continue with the review of the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. Derivative contracts of the Group with several financial institutions were intended to manage foreign currency exchange and interest rate fluctuation risks.

The chief of finance management department arranges a meeting to review the strategy and performance, then reports the results to Chief Financial Officer and Chairman periodically.

#### 3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group's notes and accounts receivable and investment.

##### (1) Notes and accounts receivable

The Group's credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Group will transact with corporations of credit ratings equivalent to investment grade and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and counterparty credit rating, and evaluate the customers' credit rating and credit limit via automatic finance system to manage the credit exposure.

##### (2) investment

The credit risk exposure in the bank deposits, other financial instruments and equity instruments are measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly-traded stocks companies and non publicly-traded stocks companies, there are no incompliance issues and therefore no significant credit risk.

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**WISTRON CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## (3) guarantee

According to the Group's policy, the Group can only provide guarantee to which is listed under the regulation. The Group didn't provide guarantees to any non-consolidated subsidiaries as of December 31, 2014 and 2015.

## 4. Liquidity risk

The Group maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the bank loan facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Group. As of December 31, 2014 and 2015, the Group has unused credit facilities for short-term and long-term loans of \$122,342,101, and \$152,937,144, respectively.

## 5. Market risk

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

## (1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, also USD and CNY. The currencies used in these transactions are denominated in TWD, EUR, USD, JPY and CNY.

The foreign currency assets and liabilities might lead to the interest risk since the fluctuation of the market exchange rate influence the Group's future cash flow. The Group entering into forward and swap contracts are intended to manage the exchange rate risk due to the Group's current and future demand for foreign currency. The contract periods are decided in consideration of the Group's foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Group will settle these contracts using the foreign currencies arising from the assets denominated in foreign currency.

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## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Interest risk

The Group's short-term borrowings, long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Group's future cash flow. The Group reduces the interest risks by negotiating the loan interest rates frequently with banks.

(3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(y) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, and provide a return to the shareholders, also, to benefit other related parties, at the same time, to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio uses the total net debt to be divided by the total capital.

The total net debt from the balance sheet are derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, plus, net debt.

The Group's debt to equity ratio at the end of the reporting period as of December 31, 2014 and 2015, were as follows:

	<b>2014.12.31</b>	<b>2015.12.31</b>
Total liabilities	\$ 229,562,827	221,167,831
Less: cash and cash equivalents	<u>(55,692,329)</u>	<u>(58,559,754)</u>
Net debt	<b><u>\$ 173,870,498</u></b>	<b><u>162,608,077</u></b>
Total equity	<b><u>\$ 70,007,096</u></b>	<b><u>69,217,213</u></b>
Total capital	<b><u>\$ 243,877,594</u></b>	<b><u>231,825,290</u></b>
Debt to capital ratio	<b><u>71%</u></b>	<b><u>70%</u></b>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Related Party Transactions**

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Transactions with key management personnel

Key management personnel compensation:

	<u>2014</u>	<u>2015</u>
Short-term employee benefits	\$ 48,468	54,752
Post-employment benefits	19,039	1,145
Directors' compensation	32,207	24,565
Employee bonus	45,605	61,456
	<u>\$ 145,319</u>	<u>141,918</u>

(c) Related party transactions

1. Sales

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

	<u>Sales</u>		<u>Receivables from related parties</u>	
	<u>2014</u>	<u>2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates	<u>\$ 5,141,755</u>	<u>5,193,120</u>	<u>367,420</u>	<u>520,060</u>

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

2. Purchases

The amounts of significant purchase transactions and outstanding balances between the Group and related parties were as follows:

	<u>Purchases</u>		<u>Payables to related parties</u>	
	<u>2014</u>	<u>2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates	<u>\$ 10,676,592</u>	<u>8,806,561</u>	<u>2,661,458</u>	<u>2,093,958</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

3. Other income and others

	<u>Amount</u>		<u>Other receivables from related parties</u>	
	<u>2014</u>	<u>2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates				
Rental income	\$ 6,741	7,109	9	9
Property transactions	<u>6,535</u>	<u>8,041</u>	<u>4,822</u>	<u>144</u>
	<u>\$ 13,276</u>	<u>15,150</u>	<u>4,831</u>	<u>153</u>

4. Operating expense and others

	<u>Amount</u>		<u>Other payables to related parties</u>	
	<u>2014</u>	<u>2015</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates				
Property transactions	\$ 173,706	115,739	70,844	58,631
Other related parties				
Contribution	<u>7,650</u>	<u>5,400</u>	<u>-</u>	<u>-</u>
	<u>\$ 181,356</u>	<u>121,139</u>	<u>70,844</u>	<u>58,631</u>

5. Advances to related parties

The Group paid certain expenses on behalf of related parties including purchase, warranty expense, repair expense and other disbursement were as follows:

	<u>Other receivables from related parties</u>	
	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates	<u>\$ 4,839</u>	<u>15,562</u>

6. Advances from related parties

Related parties paid certain expenses on behalf of the Group, including warranty expenses, traveling expenses, and salaries for overseas employees were as follows:

	<u>Other Payables to related parties</u>	
	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Associates	<u>\$ 16,226</u>	<u>7,470</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

7. Receivables from related parties resulting from the above transactions were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Receivables from related parties, net:		
Notes and accounts receivable	\$ <u>367,420</u>	<u>520,060</u>
Other receivable — related parties:		
Rental receivable	\$ 9	9
Receivable from sale of property, plant and equipment	4,822	144
Other receivables	<u>4,839</u>	<u>15,562</u>
	<u>\$ 9,670</u>	<u>15,715</u>

8. Payables to related parties resulting from the above transactions were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Payables to related parties:		
Notes and accounts payable	\$ <u>2,661,458</u>	<u>2,093,958</u>
Other payables — related parties:		
Payable to purchase of property, plant and equipment	\$ 70,844	58,631
Other payables	<u>16,226</u>	<u>7,470</u>
	<u>\$ 87,070</u>	<u>66,101</u>

9. Endorsements and guarantees

As of December 31, 2014 and 2015, the Group provided endorsements and guarantees to subsidiaries to secure their bank loans and guarantees to vendors amounting to \$24,711,167 and \$32,864,930, respectively.

**8. Pledged assets**

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2014</u>	<u>December 31, 2015</u>
Property, plant and equipment-lands and buildings	Bank loan	\$ 320,526	332,461
Other noncurrent assets -restricted bank deposit	Stand by L/C	10,013	9,524
Other noncurrent assets -restricted bank deposit	Litigation guarantee	369	499
Other noncurrent assets -restricted bank deposit	Custom guarantee	6,344	6,613
Other noncurrent assets -restricted bank deposit	Performance guarantee	27,551	10,502
Other current assets -restricted bank deposit	Bank loan	-	24,697
		<u>\$ 364,803</u>	<u>384,296</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9. Significant Commitments and Contingencies:**

As of December 31, 2014 and 2015, the unused letters of credit were as follows:

	<u>2014.12.31</u>	<u>2015.12.31</u>
Unused letters of credit	\$ <u>702</u>	<u>43,648</u>

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

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

**12. Other**

Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2014 and 2015 were as follows:

	2014			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	13,561,252	8,729,228	22,290,480	14,701,406	9,818,310	24,519,716
Labor and health insurance	1,351,468	895,978	2,247,446	1,797,725	960,877	2,758,602
Pension	92,902	357,171	450,073	67,805	386,528	454,333
Others	2,744,656	828,732	3,573,388	1,250,985	592,278	1,843,263
Depreciation	4,907,246	2,858,543	7,765,789	5,600,837	2,241,379	7,842,216
Amortization	7,641	365,545	373,186	9,304	423,702	433,006

The Group had 79,300 and 60,681 employees, respectively, as of December 31, 2014 and 2015.

**13. Segment Information**

(a) General information

The major activities of the Group are the design, manufacture and sale of information technology products. The chief operating decision maker of the Group determines each business group as an operating segment. According to the provisions of the accounting standard, only the "Research and Manufacturing Service Department" qualifies under the quantitative threshold criteria as a reportable segment. Other operating departments are deemed immaterial and need not be disclosed as reportable segment including the client service group and the related new business investment. The performance of the department is evaluated based on the operating profit of the Group.

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## WISTRON CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (b) Profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment, the basis of measurement, and the related eliminations:

No tax expenses or non-operating income and expenses are allocated to the reporting segment. In addition, the reporting segment does not include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker. The accounting policies of the operating segments are the same as those described in note 4. The Group evaluates the performance of operating segment on the basis of operating income. The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

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

	2014			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 534,966,069	57,380,665	-	592,346,734
Segment revenues	<u>7,373,851</u>	<u>3,908,231</u>	<u>(11,282,082)</u>	<u>-</u>
<b>Total revenues</b>	<b>\$ <u>542,339,920</u></b>	<b><u>61,288,896</u></b>	<b><u>(11,282,082)</u></b>	<b><u>592,346,734</u></b>
<b>Segment profit</b>	<b>\$ <u>4,058,441</u></b>	<b><u>(292,564)</u></b>	<b><u>1,078,380</u></b>	<b><u>4,844,257</u></b>
Accounts receivable	\$ 82,151,317	17,916,907		100,068,224
Inventories	<u>54,958,295</u>	<u>18,805,688</u>		<u>73,763,983</u>
<b>Segment identifiable assets</b>	<b>\$ <u>137,109,612</u></b>	<b><u>36,722,595</u></b>		<b><u>173,832,207</u></b>
<b>General assets</b>				<b><u>125,737,716</u></b>
<b>Total assets</b>				<b>\$ <u>299,569,923</u></b>
Accounts payable	\$ 94,154,950	14,934,321		109,089,271
<b>Segment identifiable liabilities</b>	<b>\$ <u>94,154,950</u></b>	<b><u>14,934,321</u></b>		<b><u>109,089,271</u></b>
<b>General liabilities</b>				<b><u>120,473,556</u></b>
<b>Total liabilities</b>				<b>\$ <u>229,562,827</u></b>
	2015			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 504,428,441	118,845,547	-	623,273,988
Segment revenues	<u>6,430,395</u>	<u>2,588,390</u>	<u>(9,018,785)</u>	<u>-</u>
<b>Total revenues</b>	<b>\$ <u>510,858,836</u></b>	<b><u>121,433,937</u></b>	<b><u>(9,018,785)</u></b>	<b><u>623,273,988</u></b>
<b>Segment profit</b>	<b>\$ <u>3,074,413</u></b>	<b><u>(684,708)</u></b>	<b><u>(19,340)</u></b>	<b><u>2,370,365</u></b>
Accounts receivable	\$ 64,044,463	26,896,203		90,940,666
Inventories	<u>50,976,999</u>	<u>16,633,878</u>		<u>67,610,877</u>
<b>Segment identifiable assets</b>	<b>\$ <u>115,021,462</u></b>	<b><u>43,530,081</u></b>		<b><u>158,551,543</u></b>
<b>General assets</b>				<b><u>131,833,501</u></b>
<b>Total assets</b>				<b>\$ <u>290,385,044</u></b>
Accounts payable	\$ 78,682,911	20,526,408		99,209,319
<b>Segment identifiable liabilities</b>	<b>\$ <u>78,682,911</u></b>	<b><u>20,526,408</u></b>		<b><u>99,209,319</u></b>
<b>General liabilities</b>				<b><u>121,958,512</u></b>
<b>Total liabilities</b>				<b>\$ <u>221,167,831</u></b>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(c) Information about the products and services

Information about the Group's revenue from external customers was as follows:

	<u>2014</u>	<u>2015</u>
Computer, Communication & Consumer electronics	\$ 534,966,069	504,428,441
Others	<u>57,380,665</u>	<u>118,845,547</u>
	<u>\$ 592,346,734</u>	<u>623,273,988</u>

(a) Geographical information

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

Revenue from external customers:

<u>Geography</u>	<u>2014</u>	<u>2015</u>
Taiwan	\$ 338,690,884	390,606,074
Asia	159,580,103	147,565,212
Others	<u>94,075,747</u>	<u>85,102,702</u>
	<u>\$ 592,346,734</u>	<u>623,273,988</u>

Noncurrent assets:

<u>Geography</u>	<u>2014.12.31</u>	<u>2015.12.31</u>
Taiwan	\$ 7,916,974	7,888,402
Asia	31,803,725	30,674,151
Others	<u>4,350,362</u>	<u>3,586,083</u>
	<u>\$ 44,071,061</u>	<u>42,148,636</u>

Noncurrent assets include the property, plant and equipment, intangible assets and other noncurrent assets, aside from the financial instruments, deferred tax assets and goodwill.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(b) Information about revenue from major customers

For the years ended December 31, 2014 and 2015, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

<b>Customer</b>	<b>2014</b>		<b>2015</b>	
	<b>Net revenue</b>	<b>Percentage</b>	<b>Net revenue</b>	<b>Percentage</b>
	<b>TWD</b>	<b>of net revenue</b>	<b>TWD</b>	<b>of net revenue</b>
Customer H	\$ 171,207,103	29	157,977,795	25
Customer B	96,834,949	16	103,461,741	17
Customer F	29,235,794	5	80,761,873	13



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