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Wistron Corporation
2016 Annual Report

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1. Name, Title and Contact Information for Company's Spokesperson

Spokesperson	：	Stone Shih
Title	：	Controller
Tel	：	886-2-6616-9999
E-mail	：	spokesperson@wistron.com
Acting Spokesperson	：	Mike Liang
Title	：	Executive Director of PR/Investor Relation and Treasury Management Division
Tel	：	886-2-6616-9999
E-mail	：	spokesperson@wistron.com

2. Address and Telephone Number of Company's Registered Office and Headquarters

Office	Address	Tel
Wistron Corp. (Registered office)	5, Hsin An Rd., Hsinchu Science Park, Hsinchu 300, Taiwan, R.O.C.	886-3-577-0707
Wistron Corp. (Headquarters)	158, Singshan Rd., Neihu, Taipei, 11469, Taiwan, R.O.C.	886-2-6616-9999
Wistron Corp. (Headquarters)	21F., No88, Sec.1 ,Hsintai 5th Rd., Hsichih, New Taipei City 22181, Taiwan, R.O.C.	886-2-6616-9999

3. The Address and Contact information for Wistron Shareholders Services Office

Address	：	158, Singshan Rd., Neihu, Taipei, 11469, Taiwan, R.O.C.
Tel	：	886-2-6600-7998
E-mail	：	stock@wistron.com

4. The Address and Contact information of Auditing CPA in 2016

Name	：	Ya-Ling, Chen and Li-Li, Lu at KPMG
Address	：	68F, TAIPEI 101 TOWER, No.7, Sec.5, Xinyi Road, Taipei, 110, Taiwan, R.O.C.
Tel	：	886-2-8101-6666
Website	：	www.kpmg.com.tw

5. For more information about Wistron: www.wistron.com

6. For more information about Wistron GDRs:
http://www.bourse.lú
http://www.LondonStockExchange.com

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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).

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1. Letter to Shareholders

Dear Shareholders,

Last year, while confronting the ongoing declining demand in personal computer related markets, the overall ICT industry exhibited no significant growth. For Wistron, although the company was constantly challenged by the tough economic environment and industry competition, we continued to deliver revenue growth through several efforts like customer and product portfolio optimization, and operation efficiency improvement. The operating profit and net profit also increased compared with previous year.

Overall, with the contribution from new invested businesses Wistron's financial performance showed gradual and persistent growth in 2016. On behalf of all Wistron employees, we would like to express our sincere appreciation to our shareholders for your support for Wistron's continuous growth.

2016 Financial and Operation Results

In 2016, Wistron's consolidated revenue reached NT$659.9 billion and consolidated operating profit was NT$6.012 billion. The consolidated profit before tax reached NT$4.757 billion and profit attributable to Owners of the Company was NT$2.961 billion. Meanwhile, the earnings per share was NT$ 1.2.

The revenue increased around 6%, while the operating profit and net profit also increased compared with the previous year. From the operation management point of view, Wistron continued to enhance operation efficiency through improving material cost management and production efficiency in 2016. The total manufacturing expense decreased significantly. The R&D expenses slightly increased for the investments in new businesses and new product line developments to accelerate innovation and adjustments in our business portfolio in order to cope with competition and market changes.

In 2016, Wistron's key growth drivers were server, storage, and VoIP, while 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 market trend, Wistron also continued optimizing customer and product portfolios in order to provide higher value-added and profitable services.

Last year, Wistron also actively continued the organizational re-structuring and the digital transformation. In addition to the automation and intelligent implementation on materials and manufacturing management, we also deployed the digitalization and intelligent implementation on personnel and R&D project management. Meanwhile, through organizational transformation to promote the young management talent, we were able to let management teams inherit and mobilize resources, improve decision-making speed and accuracy, and expedite corporate transformation.

In addition, we continued publishing the "Wistron Corporate Social Responsibility Report" in 2016. Also in response to the revised "Corporate Social Responsibility Best Practice Principles" from Taiwan Stock Exchange (TWSE), Wistron passed the amendments to our "Corporate Social Responsibility Best Practice Principles" at a board meeting in August 2016 stating that corporate governance shall be strengthened to protect the rights and interests of our stakeholders and that all employees of the Company are required to act in compliance with these Principles.

2017 Business and Operation Focus

For 2017, our major operation focuses are:

(1) reinvigorate the core businesses for competitiveness (including PC and server). Our actions will focus on adjusting customer and product portfolios for profit improvement, building closer customer relationships, strengthening leadership in technology and service value, and improving operation efficiency in order to achieve leading operational performance.

(2) scale the new business growth and profitability. Our actions will focus on executing the current growth opportunities (including LCM and smartphone), building new services and solution businesses (including handset service, education, and enterprise services), building new technology verticals (including IPC, IoT, medical, enterprise storage, and automotive electronics) and creating innovation platforms.

(3) drive digital transformation. Our actions will focus on accelerating digital operation improvement initiatives (including manufacturing, inventory, and R&D), building Wistron Industry 4.0 capabilities, building the digitalized system for performance management across projects, people, operation models, and functions.

For business and product directions, in response to the growing smart terminal device market and the stalled growth in consumer markets (e.g. notebook and LCD-TV), Wistron will accelerate the adjustment of our customer and product portfolios to provide higher value-added services to our customers. In the meantime, we will continue infusing the organization with younger management talent and optimizing operation efficiency to enhance competitiveness and accelerate the pace of transformation.

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.

As we look into the future, there is little doubt that the digital economy will be exerting increasing influence on our daily lives and that digital transformation is the key to corporate survival and the foundation of a whole new business model.

In recent years, we have been devoted to transforming our role into a comprehensive technology service provider (TSP). For example, with the development of cloud technologies and through the software integration service combining hardware such as computer, intelligent devices, and cloud data system, we can provide a technology service platform and in-time big data information to be the “technology powerhouse” for our customers.

Wistron’s major “corporate beliefs” are customer focus, integrity, innovation, and pursuit of excellence. In the meantime, with the corporate philosophy of “altruism” we will continually take concrete actions to pursue corporate sustainability and social responsibility. For company’s future development strategy to realize our vision of becoming “the technology powerhouse for better life & environment,” Wistron’s role as a technology service provider (TSP) promotes innovation and digital transformation enabling us to reinvigorate our core business activities, enhance interaction with our customers, and scale new businesses. This is how we at Wistron are able to provide consumers high value-added products and services that are both lifestyle compatible and environmentally conscious.

Regarding employees and our community, we provide a fair, just, and open platform to attract, develop, and retain top-performing talent and teams. Internally, Wistron offers an environment that provides individuals continuous growth, learning, and competitive rewards, both tangible and intangible. Externally, through collaboration with charity groups and participation in events for social welfare, employees are granted the opportunity to enrich their minds, develop their moral character, and achieve a more comprehensive way of thinking.

Regarding digital transformation, through big data analysis, the Company effectively collates and applies information to improve the quality and performance of company operations, thereby creating high investment returns for our shareholders. These profits are subsequently remunerated to all of Wistron’s stakeholders, including employees, investors, and the community, forming a positive circulation that constitutes the blueprint for sustainable development.

We believe this strategy will provide the value that truly benefits our customers and builds long-term value for our shareholders. On behalf of all Wistron employees, we wish to thank all our shareholders for their support and confidence.

Simon Lin

Chairman

2. Company Introduction

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 77,000 personnel as of December 31, 2016.
- 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 77,000 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).
		■ 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.
		■ 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%.
		■ Two notebook models J1 and AJ received the “Certificate of Good Design” award by the Industrial Development Bureau.
		■ Two notebook models J1 and AJ received “Certificate of Excellence” as part of the National Product Image Awards from the Ministry of Economic Affairs.
		■ 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.
		■ 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.
		■ 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.
		■ 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 Depositary 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 6th 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 10th 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 8th 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”.
- 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.
- 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.
- Wistron ranked 6th among Taiwan manufacturing companies.(source: Common Wealth magazine).

- Received NT$8,420,000 through converting stock options to stock shares. The paid-in capital amounted to NT$20,940,152,920.
- 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.
- Wistron recognized as one of Fortune Global 500 companies .
- 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).
- Increased NT$1,039,278,650 through capitalization of profits. The paid-in capital amounted to NT$21,979,431,570.
- 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.
- The Taizhou site passed the ISO9001:2008 certification.
- 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.
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO 50001:2011 certification.
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site acquired the ISO 14064-1:2006 greenhouse gas verification statement.
- 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.
Feb.	2016	■ The Taizhou site passed the ISO14001:2004 re-certification.
Apr.	2016	■ Wistron Digital Technology Holding Company was founded with paid-in capital of NT$600 million.

		■ Wistron Medical Tech Holding Company was founded with paid-in capital of NT$600 million.
		■ Wistron recognized as one of Forbes Global 2000 companies.
		■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the IECQ QC080000:2012 / ISO50001:2011 re-certification.
		■ The Taizhou site passed the OHSAS18001:2007 certification.
May	2016	■ Wistron ranked 8th among Taiwan manufacturing companies (source: CommonWealth magazine).
		■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO13485:2003 re-certification.
		■ Wistron Headquarters (Taipei)/ Hsinchu (Taiwan)/ Zhongshan/ Kunshan/ Chengdu/ Chongqing/ Taizhou / Czech/ Mexico sites passed the ISO14064-1:2006 greenhouse gas verification and acquired verification statements.
Jun.	2016	■ The Czech site passed the IECQ QC080000:2012 certification.
Jul.	2016	■ Increased NT$240,201,150 through employees' compensation. The paid-in capital amounted to NT$25,795,025,430.
		■ Wistron Optronics (Kunshan) site passed the OHSAS18001:2007 re-certification.
Aug.	2016	■ Established Wistron Medical Tech (Chongqing) CO.,LTD. with the approval of the Investment Commission, Ministry of Economic Affairs.
		■ Increased NT$726,336,100 through capitalization of profits. The paid-in capital amounted to NT$26,521,361,530.
		■ Wistron ranked 41th among Top Large Enterprises of Taiwan's Best Corporate Citizens (source: CommonWealth magazine).
Sep.	2016	■ Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the TL 9000-H R5.5/R5.0 upgrade certification.
Oct.	2016	■ Wistron ranked 51th in 2016 Channel News Asia Sustainability Ranking.
		■ The Zhongshan site passed the TL 9000-H R5.5/R5.0 re-certification.
Nov.	2016	■ Established SMS Infocomm Global Service (CQ) with the approval of the Investment Commission, Ministry of Economic Affairs.
		■ The capital reduction via restricted stocks award to key employees nullification for NT$ 18,197,140. The paid-in capital amounted to NT$ 26,503,164,390.
		■ Wistron Optronics(Kunshan) site passed the ISO 9001:2008 extension certification.
Dec.	2016	■ The Zhongshan site passed the ISO 9001:2008 / IECQ QC080000:2012 re-certification.
Mar.	2017	■ Wistron Optronics(Kunshan) site passed the IECQ QC080000:2012 re-certification.

2.5 Organization Structure

2.5.1 Business Organization

Wistron organizes operations into six 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 six 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.

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.

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.

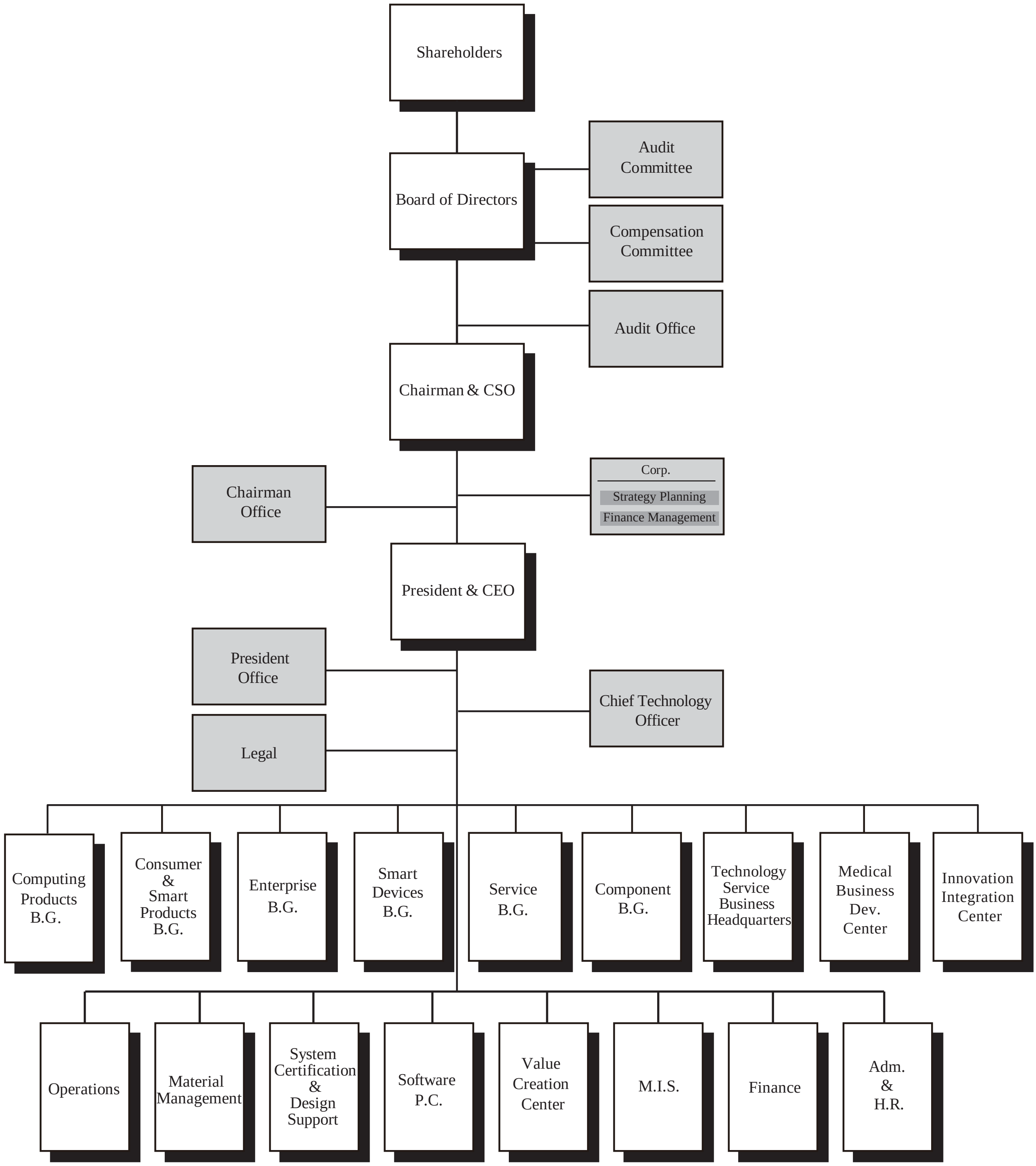
Smart Devices Business Group ("SDBG") —SDBG focusing on large volume CM manufacture of smart devices.

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
Audit office	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. 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. 3.Assist the Audit Committee to supervise the implementation of internal control system and corporate governance.
Chairman Office	Assists the Chairman & CSO to evaluate and analyze external investment and business performance for the Company and its subsidiaries to achieve corporate goals.
Strategy Planning Office	Responsible for the overall company's strategic planning, construction, promotion and long-term development.
Finance Management	Treasury, financial management, and investment.
President Office	Assist the President & CEO to evaluate and analyze the Company's business performance and propose solutions to achieve corporate goals.
Chief Technology Officer	Responsible for the construction and management of the company's R&D team, resources and the environment, and enhancement of research efficiency and competitiveness.
Legal	Corporate legal affairs, contracts, and business-related legal consultative services.
Computing Products Business Group	Product management, development and manufacturing for personal computer, industrial PC and display products.
Consumer and Smart Products Business Group	Product management, development and manufacturing for smart products(Connected home IoT, Smart Phone, mobile terminals) and connected audio products.
Enterprise Business Group	Product management, development, and manufacturing for server and storage products.
Smart Devices Business Group	Product management, development and manufacturing for smart device products.
Service Business Group	Customer service and technical support.
Component Business Group	Product Management, development and manufacturing for optical component products. The collection, dismantling, refining… recycling related business for electronic wastes.
Technology Service Business Headquarters	Responsible for the integration of technology and product development to provide value-added platform for customers.
Medical Business Development Center	Responsible for the research, development, and production of professional medical devices and solutions.

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

2.6 Products

Current Main Products and Services:

(1) Notebook 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
• Industrial design • Prototype building • PCB circuit design and layout • Certification qualification testing and processing (agency approvals) • Circuit test development • Compatibility testing • Environmental stress testing / EMC testing • Reliability testing • Component qualification • Electrical and Mechanical design • Functional test development • Packaging design • Embedded software design • Component certification/ approval meeting environmental regulations (e.g. RoHS)	• Supplier quality/ performance management • Component and subsystem assembly • Lead-free PCB assembly • Automatic optical inspector • Automatic in-circuit testing • Functional testing • System manufacturing • CTO (configure-to-order) • BTO (build-to-order) • Real time production data collection • Material /process laboratory analysis • Failure analysis and closed loop corrective action	• Product life cycle planning • Hub management • Asset recovery • Life-time buy component management • Service traffic planning • Refurbishment • Returns processing • Customized report development • Electronic Data Exchange • Upgrades • Warranty repair • All levels of repair support and management

2.8 Long-Term and Short-Term Business Development Plans

2.8.1 Short-Term Development Plan

Wistron aims to strengthen customer satisfaction, provide the best quality, strengthen current customer relations, and optimize existing customers and product portfolios. The short-term business development indicators will include improving operational efficiency, increasing capacity utilization, and boosting profitability.

2.8.2 Long-Term Development Plan

In the long run, the Company will continue to increase the profitable products and services (including hand held mobile products, servers, network storage, internet telephony, industrial computers, rugged mobile computers, and after-sales service, etc.) and accelerate achieving breakeven and turn to profitability in our newly invested businesses.

The strategic plans are as follows:

(1) Marketing Strategy

A. Continue to improve core competency in professional designs and technological services.

B. Maintain high-quality and high-performance products.

C. Continue to expand the service network across the globe for providing a comprehensive range of after-sales services.

(2) Manufacturing Policy

A. Optimize the global manufacturing system by integrating lean production and an automated manufacturing system to enhance efficiency and lower costs.

B. Continue to promote Six Sigma projects in combination with performance goals to comprehensively enhance quality and efficiency.

(3) Product Development Goals

A. Cultivate excellent R&D experts and improve their R&D capabilities.

B. Use existing computer research and manufacturing capabilities to strengthen the research and development of servers, network storage devices, advanced network management systems, and industrial computers. We also will integrate the concept of Internet of Things service into a “digital family” platform that provides communication, entertainment, and healthcare functions, thereby introducing new value-added products and technological services featuring innovative functions.

C. Commit to energy conservation by adopting eco-friendly materials and technologies that comply with green product and related environmental laws.

(4) Scale of Operation and Financial Support

A. Actively integrate and develop production capacity overseas to fulfill business requirements.

B. Strengthen balance sheet management, control the number of cash turnover days to within a reasonable range, and sustain a healthy financial structure.

2.9 Market, Production and Sales

2.9.1 Market Analysis

1. Market Share

Taiwan is a major supplier of information technology products as exemplified by these iconic products. According to the MIC (March 2017) and market statistics, Taiwan produced 129,666 K notebook computers, 48,371 K desktop computers and 8,303 K servers in 2016, of which about 15%, 25%, and 24% 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

Year	2015	2016	2017(e)	2018(f)	2019(f)
Number of NBs	157,612	148,735	147,790	144,095	140,925
Growth Rate	-8.9%	-5.6%	-0.6%	-2.5%	-2.2%
Number of DTs	123,300	117,000	113,400	109,300	105,100
Growth Rate	-13.0%	-5.1%	-3.1%	-3.6%	-3.8%
Number of PCs (NB + DT)	280,912	265,735	261,190	253,395	246,025
Growth Rate	-10.8%	-5.4%	-1.7%	-3.0%	-2.5%

Source：DIGITIMES (February 2017) Compound growth rate is around -3.26% from 2015 to 2019.

(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	2015	2016	2017(e)	2018(f)	2019(f)
Number of Servers	10,066	10,607	11,177	11,658	12,131
Growth Rate	6.7%	5.4%	5.4%	4.3%	4.1%

Source： MIC (September 2016) Compound growth rate is around 4.78% from 2015 to 2019.

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 2017, our company has a R&D team of over 4,000 people, over 99% of which have a college degree or higher and main team leaders have on average over 24.5 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 through lean manufacturing by decreasing production waste, improving production efficiency, and reducing manufacturing cost 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 indus try, 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.

2.9.2 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

2.9.3 Status of Supply of Chief Materials:

Main Materials	Domestic and Foreign Sources	State of Supply
CPU	United States	CPU supply is relatively stable. The only concern could be 12" wafer CPU upstream material demand booming to cause Lead Time extension dynamically in 2017.
Hard Drives	United States, Japan	Well supplied year-round. (Overall low demand for PC and growing replacement with Solid State Disk)
DRAM	United States, Japan, Korea	DRAM size increased of mobile devices continuously. Tight supply in the first six months and improvement expected after Q2.
Power Supply	Taiwan, China	Supplement will meet production demands year-round.
PCB	Taiwan, China, Austria	For copper foil makers raised up cost (over 40% up since Nov. 2016 till Mar. 2017) and limited supply qty, PCB suppliers are facing cost up pressure as well as lead time extend. This condition would last till 2018.
LCD	Taiwan, China, Japan, Korea	Some panel generation manufacture plants closed and Sharp supply strategy changed, 2016 2nd half year supply tight. Even though the 1st half of 2017 supply keeps flat but expected, the supply will be tight in the 2nd half of 2017.

2.10 Board of Directors, Supervisors and Key Managers background information (including share holding)

2.10.1 Information of Board of Directors (April 16, 2017)

Title	Nationality or registered	Name	Gender	Date of Election	Term	Shares Held When Elected		Current Shareholding	
						Number	Percentage	Number	Percentage
Chairman & CSO	Republic of China	Simon Lin	Male	06/26/2015	3	28,064,521	1.14	34,578,203	1.3
Director	Republic of China	Stan Shih	Male	06/26/2015	3	2,565,422	0.10	2,723,401	0.1
Director	Republic of China	Haydn Hsieh	Male	06/26/2015	3	998,043	0.04	1,059,502	0.04
Director& President &CEO	Republic of China	Robert Hwang	Male	06/26/2015	3	2,740,810	0.11	5,248,261	0.2

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
1,457	0	Bachelor	Chairman & CSO 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	-	-	-
366,345	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 Director of PTS/ Public Television Service Foundation Director of Chinese Television System Inc.	-	-	-
12,523	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.	-	-	-
168,898	0.01	Master	Director & President & CEO of Wistron Corp. Director of Gobal Lighting Technologies Inc. Chairman of Anwith Technology Corp. Chairman of WiAdvance Technology Corp. Chairman of WiEdu Corp. Chairman of Wistron Medical Tech Corp. Director of Lian-Yi (Far East) Ltd. Director of Wistron Medical Tech Holding Company Overseas companies current positions summary(Note)	-	-	-

Title	Nationality or registered	Name	Gender	Date of Election	Term	Shares Held When Elected		Current Shareholding	
						Number	Percentage	Number	Percentage
Independent Director	Republic of China	John Hsuan	Male	06/26/2015	3	0	0	0	0
Independent Director	Republic of China	Michael Tsai	Male	06/26/2015	3	0	0	0	0
Independent Director	Republic of China	James K.F. Wu	Male	06/26/2015	3	0	0	0	0
Independent Director	Republic of China	Duh-Kung Tsai	Male	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
445,909	0.02	Bachelor	Independent Director of Wistron Corp. Emeritus vice-chairman of United Microelectronics Corp. Independent Director of Compal Electronics Inc. Independent Director of Siliconware Precision Industries Co., Ltd. Director of D-Link Corp. Director of Alpha Networks Inc. Director of Murad Chia Jei Biotechnology Co., Ltd. Director of General Biologicals Corp. Director of Clientron Corp. Chairman of Taiwan Memory Company Chairman of Maxima Venture II, Inc. Chairman of Meridigen Biotech Co., Ltd. Director of SIPP Corp. Director of Pacgen Biopharmaceuticals Corp.	-	-	-
0	0	Bachelor	Independent Director of Wistron Corp. Chairman of Maxchip Electronics Corp. Chairman of Zentel Electronics Corp. Chairman of AP Memory Technology Corp. Director of Powerchip Technology Corp. Director of Foci Fiber Optic Communications, Inc. Independent Director of United Integrated Services Co., Ltd.	-	-	-
5,780	0	Bachelor	Independent Director of Wistron Corp. Independent Director of Lite-On Technology Corp. Independent Supervisor of Advantech Co., Ltd. Director of KPMG 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. Executive Officer of Powertech Technology Japan Ltd.	-	-	-

Title	Nationality or registered	Name	Gender	Date of Election	Term	Shares Held When Elected		Current Shareholding		
						Number	Percentage	Number	Percentage	
Independent Director	Republic of China	Victor C.J. Cheng	Male	06/26/2015	3	78,911	0	83,770	0	

Note：Chairman of Wistron InfoComm (Zhongshan) Corp.、Chairman of Wistron InfoComm (Kunshan) Co., Ltd.、Chairman of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.、Chairman of Wistron Service (Kunshan) Corp.、Chairman of Wistron InfoComm (Taizhou) Co., Ltd.、Chairman of SMS (Kunshan) Co., Ltd.、Chairman of Wistron InfoComm (Shanghai) Corp.、Chairman of Wistron Optronics (Kunshan) Co., Ltd.、Chairman of Wistron InfoComm (Qingdao) Co., Ltd.、Chairman of Wistron InfoComm (Chongqing) Co., Ltd.、Chairman of Wistron InfoComm Technology Service (Kunshan) Corp.、Chairman of Weshtek Information Technology Services Co., Ltd., Shanghai、Chairman of Wistron Medical Tech (Chongqing) CO., Ltd.、Chairman of SMS Infocomm Global Service (CQ)、Director of WIS Precision (Taizhou) Co., Ltd.、Director of Wistron Advanced Materials (Kunshan) Co., Ltd.、Director of Wistron Investment (Sichuan) Co., Ltd.、Director of Wistron InfoComm (Chengdu) Co., Ltd.、Director of LIAN-YI Precision (Zhongshan) Inc.、Director of Anwith (KunShan) Co., Ltd.、Director of Wiwynn Technology Service (Beijing) Ltd.、Director of Wistron Optroncis (Shanghai) Co., Ltd.、Director of WinDisplay Corp.、Chairman of Win Smart Co., Ltd.、Chairman of Wistron InfoComm Technology (America) Corp.、Chairman of WisVision Corp.、Chairman of Wistron Mexico S.A. de C.V.、Chairman of Wistron InfoComm (Philippines) Corp.、Chairman of SMS Infocomm (Singapore) Pte. Ltd.、Chairman of WiEdu Hong Kong Ltd.、Chairman of Anwith Corp.、Chairman of SMS InfoComm Corp.、Director of Mindforce Holding Ltd.、Director of AII Holding Corp.、Director of ICT Service Management Solutions (India) Private Ltd.、Director of Fullerton Ltd.、Director of Wistron K.K.、Director of Wistron Advanced Materials (Hong Kong) Ltd.、Director of Wistron Europe Holding Cooperatie U.A、Director of Cowin Worldwide Corp.、Director of Wistron Hong Kong Holding Ltd.、Director of Wistron Technology (Malaysia) Sdn. Bhd.、Director of Service Management Solutions Mexico SA DE CV、Director of Wistron Hong Kong Ltd.、Director of WiseCap (Hong Kong) Ltd.、Director of Wistron Technology (Malaysia) Sdn. Bhd.、Director of Wistron Green Tech (Texas) Corp.、Director of Wistron InfoComm Technology (Texas) Corp.、Director of Anwith Servise Co., Ltd.、Director of WiEdu Holding Co., Ltd.、Director of WiEdu Sdn. Bhd.、Director of SMS Infocomm Chile Servicios Limitada.、Director of Skywarp Holding Ltd.、Director of Plentimark Ltd.

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 Apacer Techology Inc. Director of Kinsus Interconnect Technology Corp. Independent Director of ThroughTek Co., Ltd Supervisor of Apex Material Technology Corp. Supervisor of OTO Photonics Inc.	-	-	-

2.10.2 Information of Key Managers (April 16, 2017)

Title	Nationality	Name	Gender	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
					Number	Percentage	Number	Percentage	
Chairman & CSO	Republic of China	Simon Lin	Male	01/01/2002	34,578,203	1.30	1,457	0	
Director & President & CEO	Republic of China	Robert Hwang	Male	01/01/2002	5,248,261	0.20	168,898	0.01	
Chief Staff Officer	Republic of China	Frank F.C Lin	Male	01/01/2002	2,625,582	0.10	7,737	0	
Chief Finance Officer	Republic of China	Henry Lin	Male	09/16/2002	216,927	0.01	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. Chairman of AOPEN Inc. Director of Wistron ITS Corp. Chairman of WiseCap Ltd. Chairman of WLB Ltd. Director of Wiwynn Corp. Director of Anextek Global Inc. Director of Wistron Medical Tech Holding Company Director of Wistron Digital Technology Holding Company Director of Wistron Medical Tech Corporation Director of Changing Information Technology Inc. Director of Maya International Co., Ltd. Director of IP Fund Six Director of Join-Link International Technology Co. Ltd. Director of Formosoft International Inc. Supervisor of aEnrich Technology Corp. Chairman of WiseCap (Hong Kong) Limited Director of Hartec Asia Pte. 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 TSRC CORPORATION Director of Browave Corp.	-	-	-

Title	Nationality	Name	Gender	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
					Number	Percentage	Number	Percentage	
Chief Technology Officer & President of EBG	Republic of China	Donald Hwang	Male	01/01/2002	2,163,754	0.08	0	0	
President of CSBG	Republic of China	David Shen	Male	06/08/2007	1,374,719	0.05	14,011	0	

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Master	Director of ARBOR Technology Corp. Director of International Standards Labs. Director of WiseCap Ltd. Director of WLB Ltd. Director of Wistron Digital Technology Holding Company Director of Wistron Medical Tech Corporation Director of Maya International Co., Ltd. Director of Join-Link International Technology Co., Ltd. Director of Apollo Medical Optics, Ltd. Director of Free Bionics Taiwan Inc. Director of AII Holding Corp. Director of Airdog, Inc. 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 Corp. Director of Wistron InfoComm Technology Service (Kunshan) Co., Ltd Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron InfoComm (Chengdu) Co., Ltd. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Wistron InfoComm (CHONGQING) Co., Ltd. Director of Wistron InfoComm (Taizhou) Co., Ltd. Director of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	-	-	-
	Master	Director of Anextek Global Inc. Director of WiEdu Corp. Chairman of IBASE Technology Inc. Director of Audio Design Experts, Inc. Director of Cowin Worldwide Corp. 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 WiEdu Sales and Marketing Sdn. Bhd. Director of Wistron Mexico S.A. de C.V. Director of Wistron Technology (Malaysia) Sdn. Bhd. Director of WisVision Corp. Director of WiEdu Hong Kong Limited Director of Weshtek Information Technology Services Co., Ltd., Shanghai Chairman of Zhongshan Global Lighting Technology Limited Co., Director of Wistron InfoComm (Shanghai) Corp. Director of AII Technology (Zhongshan) Co., Ltd. Director of Wistron InfoComm (Zhongshan) Corp. Director of Wistron InfoComm (Qingdao) Co., Ltd. Director of Wistron InfoComm Technology (Zhongshan) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
					Number	Percentage	Number	Percentage	
General Plant Manager	Republic of China	Kenny Wang	Male	06/08/2007	2,170,572	0.08	0	0	
General Auditor	Republic of China	M.Y. Lin	Male	01/01/2002	1,270,386	0.05	94,575	0	
Controller	Republic of China	Stone Shih	Male	07/15/2003	1,646,979	0.06	2,500	0	
Chief dministration Officer	Republic of China	Terry Lu (Note2)	Male	04/25/2011	-	-	-	-	
Chief Material Officer	Republic of China	Ben Cheng (Note3)	Male	04/25/2011	-	-	-	-	
Chief Quality Officer & President of CBG	Republic of China	R.R. Chang	Male	04/25/2011	440,000	0.02	0	0	
President of CPBG	Republic of China	Jeff Lin	Male	04/10/2015	795,835	0.03	0	0	
Technical Vice President	Republic of China	Kelvin Chang	Male	04/10/2015	1,993,681	0.08	60,021	0	

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Bachelor	Director of Win Smart CO., LTD. Director of Wistron InfoComm Technology Service (Kunshan) Corp. Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron InfoComm (Chengdu) Co., Ltd. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Wistron InfoComm (CHONGQING) Co., Ltd. Director of Wistron InfoComm (Taizhou) Co., Ltd. Director of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	-	-	-
	Doctorate	-	-	-	-
	Master	Director of WiseCap Ltd. Director of WLB Ltd. Supervisor of WiEdu Corp. Supervisor of International Standards Labs. Supervisor of Anwith Technology Corp. Supervisor of Anextek Global Inc. Supervisor of Wistron Medical Tech Holding Company Supervisor of Wistron Digital Technology Holding Company Supervisor of Wistron Medical Tech Corporation Supervisor of Wiwynn Corporation Supervisor of Maya International Co., Ltd. Supervisor of Free Bionics Taiwan Inc. Supervisor of IBASE Technology Inc.; Overseas companies current positions summary (Note1)	-	-	-
	Bachelor	-	-	-	-
	Master	-	-	-	-
	Master	Chairman of International Standards Labs. Director of Applied Materials Co., LTD Director of WinDisplay Corp. Director of Wistron Optronics (Kunshan) Co., Ltd.	-	-	-
	Master	Chairman of Wistron InfoComm Technology (Zhongshan) Co., Ltd. Director of Zhongshan Global Lighting Technology Limited Co.,	-	-	-
	Master	-	-	-	-

Title	Nationality	Name	Gender	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor	
					Number	Percentage	Number	Percentage
President of SBG	Republic of China	William Lin	Male	04/10/2015	655,348	0.02	750	0

Note1：Director of AII Holding Corp. ; 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) Corp.; Director of Wistron InfoComm Technology (Texas) Corp.; Director of Wistron LLC; Director of Wistron K.K.; Director of KunShan ChangNun Precision Die Casting Co., Ltd.; Director of Wistron Advanced Materials (Kunshan) Co., Ltd.; Supervisor of Wistron Optronics (Kunshan) Co., Ltd.; Supervisor of Weshtek Information Technology Services Co., Ltd., Shanghai; Supervisor of SMS (Kunshan) Co., Ltd.; 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) Corp.; Supervisor of Wistron InfoComm (Zhongshan) Corp.; 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 InfoComm Manufacturing (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm Technology (Zhongshan) Co., Ltd.; Supervisor of SMS Infocomm Global Service (CQ); Supervisor of Wistron Service (Kunshan) Corp.; Supervisor of Wistron Optroncis(Shanghai) Co., Ltd.

Note2：Retired on September 1, 2016.

Note3：Retired on June 1, 2016.

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Master	Director of ANWITH TECHNOLOGY CORPORATION Director of ANWITH CORPORATION Director of ANWITH SERVICE CO., LTD. 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 CHILE SERVICIOS LIMITADA Director of SMS InfoComm Corporation Director of Wistron InfoComm (Philippines) Corporation Director of Wistron K.K. Director of SMS (Kunshan) Co., Ltd Director of ANWITH (KunShan) CO., LTD. Director of SMS InfoComm (Singapore) Pte. Ltd. Director of SMS Infocomm Global Service (CQ) Director of Wistron Service (Kunshan) Corp.	-	-	-

2.11 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 (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.

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.

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

(2) 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 result of the Company operating and personal performance, the higher 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.

2.12 Labor Relations

2.12.1 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 2016, Wistron took around 7 million NT dollars for training budget and offered 498 training courses which accounted for 1,141 training hours and 44,098 participants in total in Taiwan. The major training items are “New Employee Training”, “CS2R”, “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.

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

3. Operational Highlights

3.1 Key Accounts in the Past Two Years

3.1.1 Key Suppliers

Unit：NT$ thousands

	2015				2016			
	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron
1	Cowin Worldwide Corp.	126,457,420	22.86	(NOTE)	Cowin Worldwide Corp.	146,827,552	25.32	(NOTE)
2	Wistron InfoComm (Chengdu) Co.,Ltd.	97,162,500	17.56	(NOTE)	Wistron InfoComm (Chengdu) Co.,Ltd.	101,194,450	17.45	(NOTE)
3	Wistron InfoComm (Kunshan) Co.,Ltd.	82,881,700	14.98	(NOTE)	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	84,888,255	14.64	(NOTE)
4	Wistron InfoComm (Chongqing) Co.,Ltd.	80,514,957	14.56	(NOTE)	Wistron InfoComm (Kunshan) Co., Ltd.	77,038,720	13.29	(NOTE)
5	Others	166,167,702	30.04	-	Others	169,858,337	29.30	-
-	Total	553,184,279	100.00	-	Total	579,807,314	100.00	-

Note：Subsidiary of the Company

3.1.2 Key Buyers

Unit：NT$ thousands

	2015				2016			
	From	Amount	Percentage of total net sales (%)	Relationship with Wistron	From	Amount	Percentage of total net sales (%)	Relationship with Wistron
1	AIIH	130,112,307	22.21	(NOTE)	AIIH	136,592,267	22.27	(NOTE)
2	Buyer J	84,331,583	14.40	-	Buyer K	83,087,174	13.55	-
3	Buyer I	80,761,873	13.79	-	Buyer J	75,227,593	12.27	-
4	WITX	50,102,845	8.55	(NOTE)	Buyer I	68,719,028	11.21	-
5	Others	240,490,572	41.05	-	Others	249,588,507	40.70	-
-	Total	585,799,180	100.00	-	Total	613,214569	100.00	-

Note：Subsidiary of the Company

3.2 Production Value in the Most Recent Two Years

Unit：PCS;Thousand NT$

Year / Production Value / Major Product	2015			2016		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Portable device	31,120,543	22,406,791	299,248,672	30,962,436	22,602,578	273,924,513
Desktop PC	13,920,967	12,946,500	76,281,534	13,010,015	12,229,414	71,672,476
Others	127,364,920	113,354,779	281,382,144	106,553,188	95,897,869	348,781,876
Total	172,406,430	148,708,070	656,912,350	150,525,639	130,729,861	694,378,865

Note：Company shall prepare consolidated financial reports of 2015 & 2016 in accordance with IFRS regulation.

3.3 The Sales Value in the Most Recent Two Years

Unit：PCS;Thousand NT$

Year / Sales Value / Major Product	2015				2016			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Portable device	111,958	1,368,695	20,738,806	276,972,285	104,546	1,544,657	21,259,535	257,647,940
Desktop PC	36,476	341,178	12,713,443	74,908,350	102,094	600,108	11,782,420	69,052,796
Others	410,170	1,965,895	107,850,012	267,717,585	293,867	2,726,423	90,276,343	328,336,307
Total	558,604	3,675,768	141,302,261	619,598,220	500,507	4,871,188	123,318,298	655,037,043

Note： Company shall prepare consolidated financial reports of 2015 & 2016 in accordance with IFRS regulation.

3.4 Taiwan Employee Data during the Past Two Years

Year		2015	2016
Employee Number	Sales	1,080	1,183
	Engineers	3,665	3,922
	Administration	964	940
	Direct Labor	276	279
	Total	5,985	6,324
Average Age		36.18	36.33
Average Seniority		6.30	6.31

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 Start, 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 3rd 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. We are also planning to use renewable energy in production and going to establish solar power generation in our Kunshan site in 2017. 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. Our long-term goal is to reduce 10% of electricity usage per revenue by 2020, compared to 2015.

(3) Quality Control:

Wistron has established hazardous substance analysis laboratories in Taiwan, China, Czech, and Mexico to complete the overall arrangement of a global hazardous substance testing network. The testing capability is not only to include the RoHS six restricted substances but also extend to the other substances e.g. Bromine, Chlorine, Phthalates, Arsine and Antimony, etc. 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. There are more manufacturing sites located in China were included in the inventory scope in 2016 .

(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 GPM system ; 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 (CFM) system to inventory the total emission of carbon dioxide for whole product lifecycle as well as passed the verification by 3^{rd} 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 (“CS²R Implementing Committee”). The CS²R Implementing Committee is the highest internal unit in managing Wistron’s CS²R 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 CS²R 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 Unit" 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 CS²R 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 2016, the number of our sponsored projects reached fifteen. 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

4.1 Capital and Shares (April 16, 2017)

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
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

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
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
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
July 29, 2016	New issuance of Shares.	24,020,115	2,579,502,543

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
August 19, 2016	New issuance of Shares.	72,633,610	2,652,136,153
November 22, 2016	Cancellation of Restricted Stock Awards to key employees	1,819,714	2,650,316,439

Unit：Shares

Shares Category	Authorized capital				Notes
	Issued shares (note)		Non-issued	Total	
	Listed	Non-listed			
Common shares	2,650,316,439	0	1,349,683,561	4,000,000,000	Stock option 200,000,000 shares

Note：Issued shares including treasury stock 115,175,600 shares.

4.1.2 Shareholding Structure

Date：April 16, 2017

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI	Treasury Stocks	Total
No. of Shareholders	5	2	252	147,974	908	1	149,142
No. of Shareholding	70,840,242	2,622,262	208,926,971	869,929,374	1,382,821,990	115,175,600	2,650,316,439
Percentage (%)	2.67	0.10	7.88	32.82	52.18	4.35	100.00

4.1.3 The Distribution of Shareholdings

Date：April 16, 2017

Category by shareholdings	No. of Shareholders	Number of Shares	Percentage(%)
1 ~ 999	68,953	14,703,645	0.55
1,000 ~ 5,000	50,824	110,209,584	4.16
5,001 ~ 10,000	13,092	91,104,976	3.44
10,001 ~ 15,000	6,285	74,201,734	2.80
15,001 ~ 20,000	2,390	41,817,693	1.58
20,001 ~ 30,000	2,739	65,867,388	2.49
30,001 ~ 50,000	1,959	75,483,194	2.84
50,001 ~ 100,000	1,393	96,545,005	3.64
100,001 ~ 200,000	638	86,950,677	3.28
200,001 ~ 400,000	341	96,836,725	3.65
400,001 ~ 600,000	130	63,761,546	2.41
600,001 ~ 800,000	69	47,429,843	1.79
800,001 ~ 1,000,000	50	44,955,798	1.70
1,000,001 and above	279	1,740,448,631	65.67
Total	149,142	2,650,316,439	100.00

4.1.4 The List of Major Shareholders

Shares / Name	Number	Percentage(%)
Cathay Life Insurance Company Limited	65,149,000	2.46
Acer Incorporated	51,720,574	1.95
Management Board of Public Service Pension Fund	48,996,467	1.85
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	46,540,878	1.76
Norges Bank	43,399,263	1.64
Dimensional Emerging Markets Value Fund	41,879,650	1.58
Lin, Hsien-Ming	34,578,203	1.30
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	32,067,491	1.21
Credit Suisse Securities (Europe) Limited	31,408,140	1.19
Morgan Stanley & Co. International Plc	27,139,773	1.02

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

Unit：NT $

Item \ Period			2015	2016
Market Price Per Share	Highest		30.85	25.35
	Lowest		12.05	15.55
	Average		22.20	21.43
Net Value Per Share	Before Distribution		28.45	26.62
	After Distribution		26.94	-
Earnings Per Share	Weighted Average Share Numbers (thousand shares)		2,438,906	2,471,672
	Earnings Per Share	Current	0.55	1.2
		Adjusted	0.53	-
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		40.36	17.86
	P/D Ratio		18.50	17.86
	Cash Dividend Yield		5.41%	5.60%

4.1.6 Dividend Policy

(1) If the Company has net profit as a result of the yearly accounting closing, the Company shall first offset its losses in precious 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.

(2) 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 2016 profit distribution at its quarterly meeting on March 20, 2017. The proposed profit distribution will take effect upon the approval of shareholders at the Annual Shareholders' Meeting on June 14, 2017.

Proposal for Distribution of 2016 Profits

Unit：NT$

Undistributed Surplus at the Beginning of the year		**11,235,680,958**
Plus(Minus):		
Remeasurements of the defined benefit liability	(144,903,093)	
Decrease in unappropriated earnings resulting from equity-accounted investees	(1,738,675)	
Changes in ownership interest of subsidiaries	(3,018,187)	
Share-based payment transaction	2,035,623	
Net Income After Tax	2,961,100,586	
Minus:		
Legal Reserve	(296,110,059)	
Distributable Earnings		**13,753,047,153**
Distribution Items:		
Stock Dividends to Common Shareholders	(760,542,260)	
Cash Dividends to Common Shareholders	(3,042,169,007)	(3,802,711,267)
Undistributed Earnings at the end of the Period		**9,950,335,886**

4.1.8 Bonuses to Employees and Remunerations to Directors

(1) 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.

(2) The Board of Directors resolved the employees' and directors' compensation of 2016 as follows:

A. NT$615,439,600 as stock employees' compensation, NT$40,619,020 as compensation to directors.

B. The employees' compensation of NT$615,439,600 in 2016 will be distributed by shares. The numbers of issued shares with NT$10 per share were 23,445,318shares, which were calculated based on the closing price, NT$26.25, prior to the board resolution date. Employees' compensation of less than one share, equivalent to NT$2, shall be distributed in cash.

(3) The Bonuses to Employees and Remunerations to Directors in 2015:

	2015			
	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	496,015,380	496,015,380	24,020,115	0.93
Remunerations to Directors	24,565,050	24,565,050	-	-
Total	520,580,430	520,580,430	-	-

Note：Each of the above three items, being approved by the Board, has been expensed at the same amount under the Company's 2015 income statements.

4.1.9 Treasury Stocks:

As of 03/31/2017

Treasury stocks: Batch Order	1st of 2015	2nd of 2015	1st of 2016
Purpose of buy-back	To transfer to employees.	To transfer to employees.	To transfer to employees.
Timeframe of buy-back	2015/05/15~2015/07/14	2015/08/27~2015/10/21	2016/5/14~2016/7/13
Price range	NT$23 to NT$39 per share	NT$12 to NT$23 per share	NT$16 to NT$26 per share
Class, quantity of shares bought back	60,000,000	80,000,000	24,362,000
Value of shares bought-back	NT$1,412,269,403	NT$1,308,914,006	NT$533,235,760
Shares sold/transferred	0	49,186,400	0
Accumulated number of company shares held	60,000,000	90,813,600	115,175,600
Percentage of total company shares held (%)	2.26	3.43	4.35

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 Depositary Shares

Date：March 31, 2017

<table>
<tr><td colspan="3">Date of Issuance</td><td>September 22, 2005</td><td>June 19, 2009</td></tr>
<tr><td colspan="3">Issuance and Listing</td><td colspan="2">Luxembourg Stock Exchange</td></tr>
<tr><td colspan="3">Total Amount</td><td>US$ 233,620,000</td><td>US$ 223,500,000</td></tr>
<tr><td colspan="3">Offering Price per GDS</td><td>US$ 9.3448</td><td>US$14.9</td></tr>
<tr><td colspan="3">Units Issued</td><td colspan="2">42,435,294 units</td></tr>
<tr><td colspan="3">Underlying Securities</td><td colspan="2">424,352,978 shares</td></tr>
<tr><td colspan="3">Common Shares Represented</td><td colspan="2">424,352,978 shares</td></tr>
<tr><td colspan="3">Rights and Obligations of GDS Holders</td><td colspan="2">Same as those of Common Share Holders</td></tr>
<tr><td colspan="3">Trustee</td><td colspan="2">Not Applicable</td></tr>
<tr><td colspan="3">Depositary Bank</td><td colspan="2">Citibank, N.A.-New York</td></tr>
<tr><td colspan="3">Custodian Bank</td><td colspan="2">First Commercial Bank Co. Ltd.</td></tr>
<tr><td colspan="3">GDSs Outstanding</td><td colspan="2">18,105 units</td></tr>
<tr><td colspan="3">Apportionment of expenses for the issuance and maintenance</td><td colspan="2">All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDSs were borne by Wistron and the selling shareholders, while maintenance expenses such as annual listing fees were borne by Wistron.</td></tr>
<tr><td colspan="3">Terms and Conditions in the Deposit Agreement and Custody Agreement</td><td colspan="2">See Deposit Agreement and Custody Agreement for Details</td></tr>
<tr><td rowspan="6">Closing Price per GDS</td><td rowspan="3">2016</td><td>High</td><td colspan="2">US$ 8.90</td></tr>
<tr><td>Low</td><td colspan="2">US$ 5.93</td></tr>
<tr><td>Average</td><td colspan="2">US$ 8.85</td></tr>
<tr><td rowspan="3">01/01/2017~ 03/31/2017</td><td>High</td><td colspan="2">US$ 8.90</td></tr>
<tr><td>Low</td><td colspan="2">US$ 8.90</td></tr>
<tr><td>Average</td><td colspan="2">US$ 8.90</td></tr>
</table>

4.4 Employee Stock Options：None

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

5. Financial Standing

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				
		2012	2013	2014	2015	2016
Current assets		220,015,869	216,306,422	241,405,603	232,090,337	225,656,731
Net property, plant and equipment		34,164,424	35,928,027	39,255,705	37,676,747	36,448,176
Intangible assets		1,585,351	1,677,975	1,546,839	2,016,785	1,247,465
Other assets		17,325,469	16,629,350	17,361,776	18,601,175	19,403,186
Total assets		273,091,113	270,541,774	299,569,923	290,385,044	282,755,558
Current Liabilities	Before Distribution	194,863,734	168,348,939	202,857,866	199,844,353	197,453,207
	After Distribution	198,137,501	172,629,627	205,819,787	202,749,697	-
Non-current liabilities		16,299,702	35,996,817	26,704,961	21,323,478	17,333,902
Total Liabilities	Before Distribution	211,163,436	204,345,756	229,562,827	221,167,831	214,787,109
	After Distribution	214,437,203	208,626,444	232,524,748	224,073,175	-
Equity attributable to owners of the Company		61,922,146	66,186,949	69,799,674	68,715,506	67,245,050
Common stock		21,979,432	23,781,603	24,682,674	25,554,824	26,503,165
Capital surplus		19,399,395	19,651,679	20,441,985	20,707,328	21,353,585
Retained Earnings	Before Distribution	25,222,174	26,072,342	24,651,335	22,162,377	21,344,172
	After Distribution	20,857,152	21,316,022	20,948,934	18,530,697	-
Other equity		(3,901,320)	(3,318,675)	23,680	3,012,160	636,406
Treasury stock		(777,535)	-	-	(2,721,183)	(2,592,278)
Non-controlling interests		5,531	9,069	207,422	501,707	723,399
Stockholders' Equity	Before Distribution	61,927,677	66,196,018	70,007,096	69,217,213	67,968,449
	After Distribution	58,653,910	61,915,330	67,045,175	66,311,869	-

Concise Consolidated Statement of Comprehensive income

Unit：NT$ thousands

	Most Recent 5-Year Financial Information				
	2012	2013	2014	2015	2016
Operating revenue	657,844,636	624,009,073	592,346,734	623,273,988	659,908,231
Gross profit	29,799,549	30,203,051	31,117,158	29,416,236	31,644,517
Operating income	8,233,371	6,085,926	3,765,877	2,389,705	6,012,070
Non-operating income and expenses	1,544,738	1,829,261	1,078,380	(19,340)	(1,254,970)
Profit before tax	9,778,109	7,915,187	4,844,257	2,370,365	4,757,100
Net income for continuing operations	7,249,876	5,754,728	3,590,848	1,270,895	2,993,004
Income from discontinued operations, net of income tax effect	-	-	-	-	-
Net income	7,249,876	5,754,728	3,590,848	1,270,895	2,993,004
Other comprehensive income for the year, net of tax	(1,901,515)	1,134,976	3,090,018	2,601,852	(2,430,986)
Total comprehensive income for the year	5,348,361	6,889,704	6,680,866	3,872,747	562,018
Profit attributable to owners of the Company	7,255,380	5,751,341	3,580,393	1,334,094	2,961,101
Profit attributable to non-controlling interests	(5,504)	3,387	10,455	(63,199)	31,903
Total comprehensive income attributable to owners of the Company	5,353,865	6,886,361	6,666,944	3,933,920	531,776
Total comprehensive income attributable to non-controlling interests	(5,504)	3,343	13,922	(61,173)	30,242
EPS	3.17	2.45	1.46	0.53	1.20

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				
		2012	2013	2014	2015	2016
Current assets		129,347,640	130,837,993	160,982,907	199,767,923	240,235,239
Net property, plant and equipment		7,245,970	7,233,232	6,252,270	5,769,852	5,528,953
Intangible assets		1,536,237	1,547,588	1,353,840	1,220,953	1,058,875
Other assets		61,487,457	67,532,931	74,660,866	79,019,286	76,615,086
Total assets		199,617,304	207,151,744	243,249,883	285,778,014	323,438,153
Current Liabilities	Before Distribution	122,137,234	105,696,796	146,905,437	196,060,111	238,995,932
	After Distribution	125,411,001	109,977,484	149,867,358	198,965,455	-
Non-current liabilities		15,557,924	35,267,999	26,544,772	21,002,397	17,197,171
Total Liabilities	Before Distribution	137,695,158	140,964,795	173,450,209	217,062,508	256,193,103
	After Distribution	140,968,925	145,245,483	176,412,130	219,967,852	-
Common stock		21,979,432	23,781,603	24,682,674	25,554,824	26,503,165
Capital surplus		19,399,395	19,651,679	20,441,985	20,707,328	21,353,585
Retained Earnings	Before Distribution	25,222,174	26,072,342	24,651,335	22,162,377	21,344,172
	After Distribution	20,857,152	21,316,022	20,948,934	18,530,697	-
Other equity		(3,901,320)	(3,318,675)	23,680	3,012,160	636,406
Treasury stock		(777,535)	-	-	(2,721,183)	(2,592,278)
Stockholders' Equity	Before Distribution	61,922,146	66,186,949	69,799,674	68,715,506	67,245,050
	After Distribution	58,648,379	61,906,261	66,837,753	65,810,162	-

Concise Statement of Comprehensive income

Unit：NT$ thousands

	Most Recent 5-Year Financial Information				
	2012	2013	2014	2015	2016
Operating revenue	598,758,593	539,784,508	546,645,407	585,799,180	613,214,569
Gross profit	22,527,483	23,256,623	23,433,554	20,848,113	23,996,804
Operating income	5,700,657	4,726,777	4,423,866	1,803,792	6,344,428
Non-operating income and expenses	3,025,580	2,650,126	140,869	156,945	(2,897,966)
Profit before tax	8,726,237	7,376,903	4,564,735	1,960,737	3,446,462
Net income for continuing operations	7,255,380	5,751,341	3,580,393	1,334,094	2,961,101
Income from discontinued operations, net of income tax effect	-	-	-	-	-
Net income	7,255,380	5,751,341	3,580,393	1,334,094	2,961,101
Other comprehensive income for the year, net of tax	(1,901,515)	1,135,020	3,086,551	2,599,826	(2,429,325)
Total comprehensive income for the year	5,353,865	6,886,361	6,666,944	3,933,920	531,776
EPS	3.17	2.45	1.46	0.53	1.20

5.1.3 CPAs and Their Opinions for Most Recent 5-Year

Year	Name of CPA	Auditor’s 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
2016	Ya-Ling, Chen, Li- Li, Lu	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				
		2012	2013	2014	2015	2016
Financial ratio(%)	Total liabilities to total assets	77.32	75.53	76.63	76.16	75.96
	Long-term debts to Net property, plant and equipment	228.97	284.44	246.36	240.31	234.04
Ability to payoff debt(%)	Current ratio	112.91	128.49	119.00	116.14	114.28
	Quick Ratio	87.93	96.75	80.98	81.13	80.06
	Interest protection	6.27	4.92	3.02	2.27	3.40
Ability to operate	A/R turnover (times)	6.27	6.94	6.35	6.50	7.28
	A/R turnover days	58.18	52.58	57.48	56.19	50.11
	Inventory turnover (times)	14.67	12.34	9.07	8.40	9.46
	Account payable turnover (times)	5.64	5.94	5.42	5.57	5.57
	Days sales outstanding	24.88	29.57	40.24	43.45	38.58
	Fixed assets turnover (times)	21.58	17.81	15.76	16.20	17.81
	Total assets turnover (times)	2.49	2.30	2.08	2.11	2.30
Earning ability	Return on assets (%)	3.33	2.73	1.89	0.90	1.56
	Return on equity (%)	11.82	8.98	5.27	1.83	4.36
	PBT to pay-in capital	44.49	33.28	19.63	9.28	17.95
	Net income ratio (%)	1.10	0.92	0.61	0.20	0.45
	EPS(NTD)	3.17	2.45	1.46	0.53	1.20
Cash flow (%)	Cash flow ratio	6.21	5.43	(Note 7)	7.88	22.97
	Cash flow adequacy ratio	59.80	58.87	28.79	43.58	95.57
	Cash reinvestment ratio	7.52	4.56	(Note 7)	10.18	34.80
Leverage	Operating leverage	2.67	3.49	5.17	7.75	3.79
	Financial leverage	1.29	1.50	2.75	4.53	1.49

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 sates

(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＝(Nest 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				
		2012	2013	2014	2015	2016
Financial ratio (%)	Total liabilities to total assets	68.98	68.05	71.31	75.95	79.21
	Long-term debts to Net property, plant and equipment	1069.28	1402.62	1540.97	1554.94	1527.27
Ability to payoff debt (%)	Current ratio	105.9	123.79	109.58	101.89	100.52
	Quick Ratio	100.87	116.94	101.23	96.83	95.76
	Interest protection	7.30	6.07	3.51	2.68	4.07
Ability to operate	A/R turnover (times)	5.60	5.43	4.67	4.05	3.65
	A/R turnover days	65.19	67.16	78.21	90.15	100.02
	Inventory turnover (times)	90.40	84.70	60.90	55.84	59.32
	Account payable turnover (times)	8.00	8.60	7.14	5.03	3.47
	Days sales outstanding	4.04	4.31	5.99	6.54	6.15
	Fixed assets turnover (times)	81.87	74.56	81.07	97.45	108.55
	Total assets turnover (times)	2.99	2.65	2.43	2.21	2.01
Earning ability	Return on assets (%)	4.19	3.42	2.26	0.87	1.28
	Return on equity (%)	11.82	8.98	5.27	1.93	4.36
	PBT to pay-in capital	39.70	31.02	18.49	7.67	13.00
	Net income ratio (%)	1.21	1.07	0.65	0.23	0.48
	EPS(NTD)	3.17	2.45	1.46	0.53	1.20
Cash flow (%)	Cash flow ratio	(Note 7)	5.01	(Note 7)	18.02	19.90
	Cash flow adequacy ratio	55.22	43.49	10.54	112.27	329.04
	Cash reinvestment ratio	(Note 7)	1.76	(Note 7)	30.64	45.35
Leverage	Operating leverage	3.26	4.00	4.05	9.00	3.21
	Financial leverage	1.32	1.44	1.70	2.84	1.22

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 sates

(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＝(Nest 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 2016 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 ： Michael Tsai

Mar 20, 2017

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 seven (A) Audit Committee meetings were held in 2016. The Independent Director's participation status is as follows:

Title	Name	Attendance in Person (A)	By Proxy	Attendance rate in Person (%) (B/A)	Remarks
Chair	Michael Tsai	7	0	100	-
Member	John Hsuan	6	1	86	-
Member	James K.F. Wu	7	0	100	Financial Expert
Member	Duh-Kung Tsai	2	5	29	-
Member	Victor C.J. Cheng	7	0	100	-

5.3.2 Board meeting attendance:

The Board meetings held ten times in 2016.

Title	Name	Attendance	Proxy	Attendance%	Note
Chairman	Simon Lin	7	0	100	-
Director	Stan Shih	6	1	86	-
Director	Haydn Hsieh	7	0	100	-
Director	Robert Huang	7	0	100	-
Independent Director	John Hsuan	6	1	86	-
Independent Director	Michael Tsai	7	0	100	-
Independent Director	James K.F. Wu	7	0	100	-
Independent Director	Duh-Kung Tsai	2	5	29	-
Independent Director	Victor C.J. Cheng	7	0	100	-

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 2016 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	3	0	100	-
Member	Michael Tsai	3	0	100	-
Member	Duh-Kung Tsai	1	2	33	-

6.Financial Analysis

6.1 2016 vs. 2015 financial analysis

Unit : NT$ thousands

Item \ Year	2016.12.31	2015.12.31	Difference	
			Amount	%
Current assets	225,656,731	232,090,337	(6,433,606)	(2.77)
Net property, plant and equipment	36,448,176	37,676,747	(1,228,571)	(3.26)
Intangible assets	1,247,465	2,016,785	(769,320)	(38.15)
Other assets	19,403,186	18,601,175	802,011	4.31
Total assets	282,755,558	290,385,044	(7,629,486)	(2.63)
Current liabilities	197,453,207	199,844,353	(2,391,146)	(1.20)
Non-current liabilities	17,333,902	21,323,478	(3,989,576)	(18.71)
Total liabilities	214,787,109	221,167,831	(6,380,722)	(2.89)
Common stock	26,503,165	25,554,824	948,341	3.71
Capital surplus	21,353,585	20,707,328	646,257	3.12
Retained earnings	21,344,172	22,162,377	(818,205)	(3.69)
Other equity	636,406	3,012,160	(2,375,754)	(78.87)
Treasury stock	(2,592,278)	(2,721,183)	128,905	(4.74)
Equity attributable to owners of the company	67,245,050	68,715,506	(1,470,456)	(2.14)
Non-controlling interests	723,399	501,707	221,692	44.19
Total equity	67,968,449	69,217,213	(1,248,764)	(1.80)

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 decrease in Intangible assets was mainly due to decrease in customer relationships and Goodwill.

(2) The decrease in other equity was mainly due to decrease in exchange differences on translation of foreign financial statements.

(3) The increase in non-controlling interests was mainly due to subsidiaries issuance of common stock and percentage of ownership decrease.

6.2 2016 vs. 2015 operating result analysis

Unit : NT$ thousands

Item \ Year	2016	2015	Increasing (decreasing) amount	Change percentage (%)
Net revenues	659,908,231	623,273,988	36,634,243	5.88
Cost of sales	628,263,714	593,857,752	34,405,962	5.79
Gross profit	31,644,517	29,416,236	2,228,281	7.58
Operating expenses	25,632,447	27,026,531	(1,394,084)	(5.16)
Operating income	6,012,070	2,389,705	3,622,365	151.58
Non-operating income and expenses	(1,254,970)	(19,340)	(1,235,630)	6,388.99
Profit before tax	4,757,100	2,370,365	2,386,735	100.69
Income tax expenses	1,764,096	1,099,470	664,626	60.45
Net profit	2,993,004	1,270,895	1,722,109	135.50
Other comprehensive income, net of tax	(2,430,986)	2,601,852	(5,032,838)	(193.43)
Total comprehensive income	562,018	3,872,747	(3,310,729)	(85.49)
Net profit attributable to owners of the Company	2,961,101	1,334,094	1,627,007	121.96
Total comprehensive income attributable to owners of the Company	531,776	3,933,920	(3,402,144)	(86.48)

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

(1) Increase in operating income and profit before tax: The increase was mainly due to the increase of net revenues and the decrease of operating expenses.

(2) Decrease in non-operating income and expenses: The decrease was mainly due to the decrease of gains (losses) on valuation of financial assets (liabilities) by fair value, net.

(3) Increase in Income tax expenses: The increase was mainly due to the increase of profit before tax and prior-period tax adjustments.

(4) Increase in net profit and net profit attributable to owners of the Company: The increase was mainly due to the increase of operating income.

(5) Decrease in other comprehensive income, net of tax: The decrease was mainly due to the decrease of exchange differences on translation of financial statements.

(6) Decrease in total comprehensive income and total comprehensive income attributable to owners of the Company: The decrease was mainly due to the decrease of other comprehensive income, net of tax.

6.3 Cash flow analysis:

(1) Operating Activities：Cash flow-in of NT$ 45,358M was mainly caused by the change of net profit and working capital.

(2) Investing Activities：Cash flow-out of NT$ 10,785M was mainly caused by the increase in fix asset acquisition and other assets-noncurrent.

(3) Financing Activities：Cash flow-out of NT$ 34,945M was mainly caused by the decrease in short term borrowings.

6.3.1 Cash flow forecast in 2017

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
57,561,050	19,584,151	2,693,983	60,255,033	-	-

(1) Operating Activities：Cash flow-in is mainly due to the growth in estimated operating income of 2017.

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, 2016	Status of Actual Use of Capital	
			2015	2016
Production facilities and Equipment	Cash Flow generated from operation	10,277,758	3,784,661	6,493,097

6.4.2Expected 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 2016, the investment loss from equity method investment was NT$ 70,420 thousands. 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	2015 (in thousand NT dollars)	2016 (in thousand NT dollars)
Interest Income	1,609,279	933,695
Interest Expense	1,862,359	1,981,651
Exchange loss/gain	672,057	287,721

By the end of 2016, the cash and short-term investment balance of the Company totaled about NT$58.6 billion with short term borrowings about NT$44.8 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$287,721 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 which were restricted by Company's internal policies, 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 2016 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 2017 to meet business growth needs. The investment ratio will be almost the same as in 2016.

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 2016.

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: 52.18% stock shares are held by foreign investors, 10.65% by domestic institutional investors, 4.35% by treasury shares. They possess around 67.18% 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?

In June of 2016, Alacritech filed an action against the Company in the United States District Court for the Eastern District of Texas. The accused products are servers, storage devices, network adapters and other network interface devices. 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

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?	✓		

	Enforcement	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
	Summary Description	
	Wistron has set up "Corporate Governance Best Practice Principles" by Board of Director and made amendment on November 11, 2016, and there is no discrepancy between corporate governance principles.	No discrepancy
	(1) Wistron has designated the Shareholder Service Office to handle the shareholders' proposal and disputes. (2) Wistron holds information on the identities of major shareholders and their ultimate controlling persons. (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. (4) Wistron enacted "Regulations on Insider Trading" to prevent any illegal activities in terms of insider trading.	No discrepancy
	(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. (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. (3) Wistron has established "Rules for Board of Directors Performance Assessments" on November 11, 2016. The Company had completed the performance evaluation of Board of Directors for the period from January 1, 2016 to December 31, 2016, including self-evaluation by individual board members and the internal evaluation of the board. The assessment fee in the questionnaire shall be deemed to be the achievement of the project. If the rate is over 90% (inclusive), it shall be "exceed the standard". If the rate is over 80% (inclusive) or less than 90% ; When the rate is less than 80%, it is "still strong". Upon completion of the above procedures, the results of the 2016 Board of Directors' performance evaluation are "exceed the standard".	No discrepancy

Items	Enforcement		
	Yes	No	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		
4.Does a TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✓		
5.Whether the company has established channels of communication with Stakeholders (including but not limited to shareholders, employees, customers and suppliers), and open the Stakeholders section on the company's website, and respond appropriately to Stakeholders' interests/ concerns regarding corporate social responsibility.	✓		
6.Has the Company appointed a professional registrar for its Shareholders' Meetings?		✓	
7. 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.)?	 ✓ ✓		

	Enforcement	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
	Summary Description	
	(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
	The Chief of Staff Office of the Company is the unit to be in charge of corporate governance affairs and designate the top supervisor of Chief of Staff Office to be in charge of supervision. It is advisable that the corporate governance affairs mentioned in the preceding paragraph include at least the following items: Handling corporate registration and amendment registration. Handling matters relating to board meetings and shareholders meetings according to laws, and assisting the company with compliance with laws and regulations governing such meetings. Producing minutes of board meetings and shareholders meetings. Furnishing information required for business execution by directors, and updating them on developments of laws and regulations relating to the operation of the company in order to assist them with legal compliance. Affairs relating to shareholders. Other matters set out in the articles or corporation or contracts.	No discrepancy
	We have also 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 Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
	(1) Wistron has set up a website containing the information regarding financials, business and corporate governance status (2) Wistron has one chief spokesman and one acting spokesman and also designated a team to be responsible for gathering and disclosing the information.	No discrepancy

Items	Enforcement		
	Yes	No	
8.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)?	✓		
9.Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE and provide priority measures and measures for those who have not yet improved.	✓		

	Enforcement	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
	Summary Description	
	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. 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. 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
	(1) On December 2, 2016, Wistron commissioned Taiwan Corporate Governance Association of to hold a course on"Attack and Defense-M&A and Litigation" and invited all the directors to participate. (2) Wistron amended the "Codes of Ethical Conduct" on 11 November 2016 to establish and disclose the reporting system for unlawful (including corruption) and unethical conduct within and outside the company. (3) Through the Audit Committee, Wistron has established a communication channel between independent directors and internal audit and accountants, and has disclosed its communication methods, events and results to the website of the Company. (4) On November 11, 2016, Wistron's Board of Directors approved the "Rules for Board of Directors Performance Assessments" and had completed the performance evaluation of Board of Directors for the period from January 1, 2016 to December 31, 2016.	No discrepancy

8.Enforcement of Ethical Corporate Management

Item	Implementation Status		
	Yes	No	
1.Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team? (2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies? (3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	✓ ✓ ✓		
2. Ethic Management Practice (1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts? (2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters? (3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓ ✓ ✓		

	Implementation Status	Specify the difference
	Summary	
	(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 of directors (including independent board directors, the same as below) supervisors, employees or substantial controllers. (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. As the same time, we clearly define the complaint channels and operation procedures. (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.	No discrepancy
	(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. (2) HR department is responsible for the establishment of company’s integrity policy and the supervision of enforcement, and report to Board Meeting regularly. So far no incidents of unethical conduct have been reported. (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.	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). Required suppliers to sign ethical commitment and 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
(4) We conduct evaluation and self-audit of the effectiveness of internal control system, including accounting system with considered changes in the business environment, and make appropriate modifications if necessary, The result will be reviewed by Audit Office based on good faith. (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.	No discrepancy
(1) All employees have the duty to report directly to independent board of director, 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. (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. (3) The complainant and respondent who involved in reporting or investigation of the events are free from injustice or revenge.	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

Item	Enforcement		
	Yes	No	
1. Implementation of Corporate Governance (1) Does the Company have a corporate social responsibility policy and evaluate its implementation? (2) Does the Company hold regular CSR training (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? (4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy,	✓ ✓ ✓ ✓		
2. Environmentally Sustainable Development (1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (2) Has the Company set an Environmental management system designed to industry characteristics? (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	✓ ✓ ✓		
3. Promotion of Social Welfare (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) Has the Company established appropriately managed employee appeal procedures?	✓ ✓		

	Enforcement	Deviation from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Summary	
	(1) Please refer to "Corporate Sustainability and Social Responsibility Management" section of Wistron CS²R report. (2) To promote social responsibility related training and ensure the implementation on integrity, human rights, people management, and staff communication, etc., Wistron provides periodical courses such as New Employee Orientation, Ethic, New Manager, Coaching for Empowerment, Corporate Culture training. (3) Please refer to "Corporate Sustainability and Social Responsibility Management" section of Wistron CS²R report. (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.	None
	(1) Please refer to "Implementing Environmental Protection" section of Wistron CS²R report. (2) lease refer to "Implementing Environmental Protection" section of Wistron CS²R report. (3) Please refer to "Energy and Greenhouse Gas Emission Management" section of Wistron CS²R report.	None
	(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. (2) Wistron has a complaint mechanism, channel, and a handling procedure for all employees. Employees are free to raise compliant and all complaints will be treated sensitively and confidentially.	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?	✓		

	Enforcement	Deviation from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Summary	
	(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. (4) Company’s information is released via different types of channel including internal routine meetings, intranet, electronic bulletin boards, announcements, regular business information meetings and employee-employer communication meetings, so that employees are able to learn important management-related information. (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 manners 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. (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 “Sustainable Product Design and Development” and “Conflict Minerals and Supply Chain Management” sections of Wistron CS²R report. (7) Please refer to “Sustainable Product Design and Development” section of Wistron CS²R report. (8) We will do vendor survey before we start business with suppliers and the checking item is already included in the survey.	None

Item	Enforcement		
	Yes	No	
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	✓		
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. Above no discrepancy occurred.			
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 (CS²R) Report of implementation status: http://www.wistron.com/about/cs2r_report.htm.			
7.Other information regarding "Corporate Responsibility Report " which are verified by certification bodies: Wistron's Corporate Sustainability and Social Responsibility (CS²R) Report followed the Sustainable Reporting Guidelines Version G4 (GRI G4) developed by the Global Reporting Initiative (GRI). The contents of this report have been verified by an independent third party based on the AA1000 standards and comply with GRI G4 core level requirements.			

	Enforcement	Deviation from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Summary	
	(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.	None
	Since 2010, Wistron has released an annual report of Corporate Sustainability and Social Responsibility on Wistron website.	None

10.Financial Statements Consolidated With Subsidiaries Audited by CPA of 2016

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

Independent Auditors' Report

To the Board of Directors of Wistron Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. **Provision of sales return and allowance**

   Please refer to Note 4(p) "Revenue", Note 5(a) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(l) "provision of sales return and allowance" of the consolidated financial statements.

   Description of key audit matter

   Provision of sales return and allowance is one of the key judgmental areas for our audit, particularly in respect of the estimates made for rebates, chargebacks and returns under contractual requirements which are deducted before arriving at revenue.

How the matter was addressed in our audit

Our principal audit procedures included: testing the Group’s controls surrounding the revenue recognition, key manual and systems-based controls in the sales transaction cycle, including reconciliations between sales systems and the general ledger; assessing whether appropriate policies are applied through comparison with accounting standards; Our audit work in respect of the accrual for rebates and returns involved testing key controls, including the Group’s review on claims and credits. In addition, we considered the accuracy of the accrual calculation, collaborated inputs, key assumptions, and historical accuracy of the accrual.

2. **Inventory valuation**

Please refer to Note 4(h) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(d) “Inventories” of the consolidated financial statements.

Description of key audit matter

Inventories are stated at the lower of cost or net realizablevalue. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as another key audit matter.

How the matter was addressed in our audit

In relation to the key audit matter above, our audit procedures include selecting samples to examine their net realizable values to verify the accuracy of inventory aging report; evaluating the reasonableness of the Company's inventory valuation policy and the management's assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Company's historical accuracy of judfments with reference to inventory valuation and comparing them with the current year's calculation to evaluate the appropriateness of the estimation and assumption used for inventory valuation; and evaluating the adequacy of the Company's disclosure for inventories.

3. **Recognition of the Deferred Tax Assets**

Please refer to Note 4(s) “Income Taxes” and Note 6(o) “Income Taxes” of the consolidated financial statements.

Description of key audit matter

The recognition of deferred tax assets for the related unused tax losses and deductible temporary differences; and the recognition and measurement of the above-mentioned deferred tax assets are based on the management‘s estimates on the possible future taxable profits and the availability that the related deferred tax assets will be realized. This is one of the key areas our audit focused on.

How the matter was addressed in our audit

Our principal audit procedures included: reviewing the process on the managements assessment on the recognition and measurement of the deferred tax assets; comparing consistency of the management’s estimates for assumptions used in the future financial budget with future operation projection, and evaluating whether appropriate assumptions above are applied; And assessing the recognition and measurement of the deferred tax assets. In addition, we also considered the adequacy of the Group’s disclosures of its deferred tax assets policy and other related disclosures.

Other Matter

Wistron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors’ report are Ya-Ling Chen and Li-Li Lu.

KPMG KPMG

Taipei, Taiwan (Republic of China)
March 20, 2017

Notes to Readers

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

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

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 57,561,050	21	58,559,754	20
1110	Financial assets at fair value through profit or loss-current (note 6(b))	258,924	-	2,981,560	1
1125	Available-for-sale financial assets-current (note 6(b))	756,632	-	218,601	-
1170	Notes and accounts receivable, net (note 6(c))	89,727,482	32	90,940,666	31
1180	Accounts receivable-related parties (notes 6(c) and 7)	5,769	-	520,060	-
1210	Other receivables-related parties (notes 6(c) and 7)	4,678	-	15,715	-
1220	Current tax assets	1,163,657	-	1,287,752	1
130X	Inventories (note 6(d))	65,216,279	23	67,610,877	23
1476	Other financial assets-current	255,943	-	-	-
1479	Other current assets (notes 6(c)(j) and 8)	10,706,317	4	9,955,352	4
	Total current assets	225,656,731	80	232,090,337	80
	Non-current assets:				
1523	Available-for-sale financial assets-non-current (note 6(b))	2,802,720	1	2,748,475	1
1543	Financial assets carried at cost-non-current (note 6(b))	1,539,065	1	1,325,107	1
1550	Equity-accounted investees (notes 6(e)(f)(g))	5,928,289	2	5,846,378	2
1600	Property, plant and equipment (notes 6(h), 7 and 8)	36,448,176	13	37,676,747	12
1780	Intangible assets (notes 6(f)(i))	1,247,465	-	2,016,785	1
1840	Deferred tax assets (note 6(o))	4,991,405	2	5,461,032	2
1990	Other non-current assets (notes 6(j)(n) and 8)	4,141,707	1	3,220,183	1
	Total non-current assets	57,098,827	20	58,294,707	20
	Total assets	$ 282,755,558	100	290,385,044	100

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term loans (notes 6(k) and 8)	$ 44,762,259	16	77,001,897	26
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	25,130	-	1,697,837	1
2170	Notes and accounts payable	123,035,225	44	99,209,319	34
2180	Accounts payable-related parties (note 7)	1,186,708	-	2,093,958	1
2220	Other payables-related parties (note 7)	43,254	-	66,101	-
2250	Provisions (note 6(l))	2,140,679	1	2,084,500	1
2322	Current portion of long-term loans (notes 6(k) and 8)	1,441,160	-	165,919	-
2399	Other current liabilities (note 6(l))	24,818,792	9	17,524,822	6
	Total current liabilities	197,453,207	70	199,844,353	69
	Non-current liabilities:				
2540	Long-term loans (notes 6(k) and 8)	11,567,720	4	14,068,205	4
2570	Deferred tax liabilities (note 6(o))	3,746,258	1	4,908,200	2
2600	Other non-current liabilities (note 6(n))	2,019,924	1	2,347,073	1
	Total non-current liabilities	17,333,902	6	21,323,478	7
	Total liabilities	214,787,109	76	221,167,831	76
	Equity attributable to owners of parent (notes 6(o)(p)(q)):				
3110	Capital stock	26,503,165	9	25,554,824	9
3200	Capital surplus	21,353,585	8	20,707,328	7
3300	Retained earnings	21,344,172	8	22,162,377	8
3400	Other equity interest	636,406	-	3,012,160	1
3500	Treasury shares	(2,592,278)	(1)	(2,721,183)	(1)
	Total equity attributable to owners of parent:	67,245,050	24	68,715,506	24
36XX	**Non-controlling interests**	723,399	-	501,707	-
	Total equity	67,968,449	24	69,217,213	24
	Total liabilities and equity	$ 282,755,558	100	290,385,044	100

See accompanying notes to financial statements.

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars , except for earnings per common share)

		2016		2015	
		Amount	%	Amount	%
4100	**Net revenues (notes 6(l)(s) and 7)**	$ 659,908,231	100	623,273,988	100
5000	**Cost of sales (notes 6(d)(h)(i)(l)(m)(n)(q)(t), 7 and 12)**	628,263,714	95	593,857,752	95
5900	**Gross profit**	31,644,517	5	29,416,236	5
	Operating expenses (notes 6(c)(h)(i)(m)(n)(q)(t), 7 and 12):				
6100	Selling	8,883,365	1	10,897,273	2
6200	Administrative	2,954,205	1	2,746,336	-
6300	Research and development	13,794,877	2	13,382,922	2
	Total operating expenses	25,632,447	4	27,026,531	4
	Operating income	6,012,070	1	2,389,705	1
	Non-operating income and expenses:				
7010	Other income (notes 6(m)(s) and 7)	1,167,000	-	1,816,467	-
7020	Other gains and losses (note 6(s))	(369,899)	-	(174,198)	-
7050	Finance costs (note 6(s))	(1,981,651)	-	(1,862,406)	-
7060	Recognized share of associates and joint ventures accounted for equity method (note 6(e))	(70,420)	-	200,797	-
		(1,254,970)	-	(19,340)	-
7900	**Profit before tax**	4,757,100	1	2,370,365	1
7950	**Less: income tax expense (note 6(o))**	1,764,096	-	1,099,470	-
8200	**Net profit**	2,993,004	1	1,270,895	1
	Other comprehensive income (notes 6(e)(n)(o)(p)):				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss:**				
8311	Remeasurements of the defined benefit liability	(170,254)	-	(102,911)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for equity method	(3,654)	-	(14,977)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(29,005)	-	(17,758)	-
		(144,903)	-	(100,130)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss:**				
8361	Exchange differences on translation of financial statements	(2,062,812)	(1)	2,338,456	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(103,294)	-	423,613	-
8370	Share of other comprehensive income of associates and joint ventures accounted for equity method	(150,702)	-	(77,101)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(30,725)	-	(17,014)	-
		(2,286,083)	(1)	2,701,982	-
	Other comprehensive income, net of tax	(2,430,986)	(1)	2,601,852	-
8500	**Total comprehensive income**	**$ 562,018**	**-**	**3,872,747**	**1**
	Net profit attributable to:				
8610	Owners of parent	$ 2,961,101	1	1,334,094	1
8620	Net profit non-controlling interests	31,903	-	(63,199)	-
		$ 2,993,004	**1**	**1,270,895**	**1**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 531,776	-	3,933,920	1
8720	Non-controlling interests	30,242	-	(61,173)	-
	Total comprehensive income	**$ 562,018**	**-**	**3,872,747**	**1**
	Earnings per share (in dollars), after tax (note 6(r))				
9750	**Basic earnings per share**	**$ 1.20**		**0.53**	
9850	**Diluted earnings per share**	**$ 1.17**		**0.51**	

See accompanying notes to financial statements.

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent													
			Retained earnings				Other equity interest							
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings subtotal	Exchange differences on translation of financial statements	Unrealized gains (losses) on available-for-sale financial assets	Other unearned compensation for restricted employee share of stock	Subtotal	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 24,682,674	20,441,985	6,803,752	2,788,554	15,059,029	24,651,335	1,181,567	(846,974)	(310,913)	23,680	-	69,799,674	207,422	70,007,096
Net profit (loss)	-	-	-	-	1,334,094	1,334,094	-	-	-	-	-	1,334,094	(63,199)	1,270,895
Other comprehensive income	-	-	-	-	(100,130)	(100,130)	2,261,178	438,778	-	2,699,956	-	2,599,826	2,026	2,601,852
Total comprehensive income	-	-	-	-	1,233,964	1,233,964	2,261,178	438,778	-	2,699,956	-	3,933,920	(61,173)	3,872,747
Appropriation and distribution of retaned earning:														
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	740,480	-	-	-	(740,480)	(740,480)	-	-	-	-	-	-	-	-
New share issued through employee bonuses	330,680	361,102	-	-	-	-	-	-	-	-	-	691,782	-	691,782
Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	36,483	-	-	(3,684)	(3,684)	-	-	-	-	-	32,799	-	32,799
Retirement of treasury stock	-	-	-	-	-	-	-	-	-	-	(2,721,183)	(2,721,183)	-	(2,721,183)
Treasury stock transferred to employees	-	25,001	-	-	-	-	-	-	-	-	-	25,001	-	25,001
Changes in ownership interest of subsidiaries	-	13,152	-	-	(16,837)	(16,837)	-	-	-	-	-	(3,685)	-	(3,685)
Share-based payment transactions	(199,010)	(170,395)	-	-	-	-	-	-	288,524	288,524	-	(80,881)	-	(80,881)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	355,458	355,458
Balance at December 31, 2015	25,554,824	20,707,328	7,161,606	1,394,277	13,606,494	22,162,377	3,442,745	(408,196)	(22,389)	3,012,160	(2,721,183)	68,715,506	501,707	69,217,213
Net profit	-	-	-	-	2,961,101	2,961,101	-	-	-	-	-	2,961,101	31,903	2,993,004
Other comprehensive income	-	-	-	-	(144,903)	(144,903)	(2,241,318)	(43,104)	-	(2,284,422)	-	(2,429,325)	(1,661)	(2,430,986)
Total comprehensive income	-	-	-	-	2,816,198	2,816,198	(2,241,318)	(43,104)	-	(2,284,422)	-	531,776	30,242	562,018
Appropriation and distribution of retaned earning:														
Legal reserve	-	-	133,409	-	(133,409)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,394,277)	1,394,277	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,905,344)	(2,905,344)	-	-	-	-	-	(2,905,344)	-	(2,905,344)
Stock dividends	726,336	-	-	-	(726,336)	(726,336)	-	-	-	-	-	-	-	-
New share issued through employee bonuses	240,202	255,813	-	-	-	-	-	-	-	-	-	496,015	-	496,015
Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	103,833	-	-	(1,739)	(1,739)	-	-	-	-	-	102,094	-	102,094
Retirement of treasury stock	-	-	-	-	-	-	-	-	-	-	(533,236)	(533,236)	-	(533,236)
Treasury stock transferred to employees	-	7,503	-	-	-	-	-	-	-	-	662,141	669,644	-	669,644
Changes in ownership interest of subsidiaries	-	(596)	-	-	(3,019)	(3,019)	-	-	-	-	-	(3,615)	-	(3,615)
Share-based payment transactions	(18,197)	279,704	-	-	2,035	2,035	-	-	(91,332)	(91,332)	-	172,210	-	172,210
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	191,450	191,450
Balance at December 31, 2016	$ 26,503,165	21,353,585	7,295,015	-	14,049,157	21,344,172	1,201,427	(451,300)	(113,721)	636,406	(2,592,278)	67,245,050	723,399	67,968,449

See accompanying notes to financial statements.

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from operating activities:		
Profit before tax	$ 4,757,100	2,370,365
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation expense	7,657,414	7,842,216
Amortization expense	392,107	433,006
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,028,106	(947,135)
Interest expense	1,981,651	1,862,406
Interest income	(933,695)	(1,609,279)
Dividend income	(108,650)	(132,890)
Compensation cost arising from shares-based payment	173,179	(78,500)
Recognized share of associates and joint ventures accounted for equity method	70,420	(200,797)
Loss on disposal of property, plant and equipment	383,549	846,672
Property, plant and equipment transferred to expenses	511	4,161
Other assets transferred to expense	46,977	30,493
Gain on disposal of intangible assets	(72,753)	-
Loss (gain) on disposal of investments	9,317	(8,149)
Other investments loss	40,611	431,384
Impairment loss on assets	377,110	174,272
Loss on retirement of convertible bonds	-	6,827
Exchange difference of bonds payable	-	(5,134)
	11,045,854	8,649,553
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable	64,266	10,614,954
Decrease in accounts receivable-related parties	514,100	3,507,330
Decrease (increase) in other receivable-related parties	17	(4,678)
Decrease in inventories	487,616	8,122,798
Decrease (increase) in other current assets	(747,195)	26,031
Total changes in operating assets	318,804	22,266,435
Changes in operating liabilities:		
Increase (decrease) in accounts payable	25,518,957	(12,316,614)
Decrease in accounts payable-related parties	(907,250)	(4,261,722)
Decrease in other payable-related parties	(22,845)	(500,768)
Increase in provisions	52,514	343,391
Increase in other current liabilities	8,024,709	2,006,677
Decrease in other non-current liabilities	(322,041)	(192,308)
Total changes in operating liabilities	32,344,044	(14,921,344)
Net changes in operating assets and liabilities	32,662,848	7,345,091
Total changes in operating assets and liabilities	43,708,702	15,994,644
Cash generated from operations	48,465,802	18,365,009
Interest received	999,360	1,699,312
Dividends received	500,167	399,811
Interest paid	(2,074,827)	(1,970,191)
Income taxes paid	(2,532,228)	(2,743,939)
Net cash generated from operating activities	45,358,274	15,750,002
Cash flows used in investing activities:		
Decrease in other receivable-related parties	11,020	10,722
Increase in available-for-sale financial assets	(7,101,721)	(2,762,008)
Proceeds from disposal of available-for-sale financial assets	6,194,401	2,491,350
Increase in financial assets at cost	(357,662)	(490,182)
Proceeds from disposal of financial assets at cost	-	22,532
Return of capital of financial assets at cost	61,204	56,641
Increase in equity-accounted investees	(529,648)	(100,060)
Proceeds from disposal of equity-accounted investees	371,535	-
Increase in property, plant and equipment	(6,493,097)	(3,784,661)
Proceeds from disposal of property, plant and equipment	452,293	455,475
Increase in of intangible assets	(443,013)	(370,066)
Proceeds from disposal of intangible assets	293,141	-
Decrease in refundable deposits	23,058	-
Increase in other financial assets	(267,366)	-
Increase in other non-current assets	(2,874,447)	(2,092,990)
Cash received (out flow) through merger	(124,820)	32,669
Other	-	1,932
Net cash flows used in investing activities	(10,785,122)	(6,528,646)
Cash flows used in financing activities:		
Increase of short-term loans	533,423,556	443,824,262
Repayments of short-term loans	(564,627,844)	(438,433,390)
Retirement of convertible bonds	-	(605,030)
Increase in long-term loans	6,348,022	22,554,167
Repayments of long-term loans	(7,565,957)	(29,359,116)
Decrease in deposits received	(185,444)	(302,164)
Cash dividends to shareholders	(2,903,716)	(2,961,921)
Retirement of treasury stock	(533,236)	(2,721,183)
Treasury shares transferred to employees	669,644	25,001
Change in non-controlling interests	429,599	42,207
Net cash flows used in financing activities	(34,945,376)	(7,937,167)
Effect of exchange rate changes	(626,480)	1,583,236
Net increase (decrease) in cash and cash equivalents	(998,704)	2,867,425
Cash and cash equivalents at beginning of year	58,559,754	55,692,329
Cash and cash equivalents at end of year	**$ 57,561,050**	**58,559,754**

See accompanying notes to financial statements.

WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

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 sales of the following products and semi-finished products, and their peripheral equipment, parts and components:

(i) 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;

(ii) video and internet telephones, video conferencing equipment and telecommunication equipment;

(iii) digital satellite TV receivers, set-top boxes, digital video decoders and multi-media appliance products;

(iv) digital cameras, CD-ROM drives and DVD-ROM drives;

(v) wireless receiver products (mobile phones, wireless LAN cards, and Bluetooth communication modules);

(vi) LCD TVs and other electronic audio & visual products;

(vii) design and merchandising of computer software and programs;

(viii) import and export trade relevant to the business of this company;

(ix) maintenance and cleaning of electronics products;

(x) recycling of electronic waste;

(xi) in vitro diagnostic device, physiological signal diagnostic device and medical date system;

(xii) manufacturing, processing and selling of electronic products for automobile.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2017.

(3) New standards, amendments and interpretations adopted

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
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
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012- 2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 “Revenue from Contracts with Customers”	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 “Revenue,” IAS 11 “Construction Contracts,” and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 “Financial Instruments”	The new standard will replace IAS 39 “Financial Instruments: Recognition and Measurement”, and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that “own credit risk” adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(4) Summary of significant accounting policies

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

(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) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC .

(b) Basis of preparation

(i) 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:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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3) The defined benefit liabilities (assets) are recognized as the present value of the defined obligation, and the effect of the plan assets celling disclosure in note 4(q) less plan assets.

(ii) Functional and presentation currency

The functional currency of the Group 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

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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.

(ii) 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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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.

(iii) List of subsidiaries in the consolidated financial statements

1) 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 December 31, 2016	Percentage ownership December 31, 2015
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/WCL	Wiwynn Corporation (“WYHQ”, Taiwan)	60.56	76.88
the Company/WCL	Join-Link International Technology Co., Ltd. (“JLH”, Taiwan)	(Note 1)	55.34
Cowin/AIIH	Wistron InfoComm (Zhongshan) Corporation (“WZS”, China)	100.00	100.00
AIIH	AII 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 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	Wiwynn Technology Service Japan, Inc. (“WYJP”, Japan)	60.56	76.88
WYHQ	Wiwynn International Corporation (“WYUDE”, U.S.A.)	60.56	76.88
WYHQ	Wiwynn Korea Ltd.(“WYKR”, South Korea)	60.56	-
WYHK	Wiwynn Technology Service Kunshan, Ltd. (“WYKS”, China)	60.56	76.88
JLH	Join-Link International Technology Co., Ltd.(JLKS) (“JLKS”, China)	(Note 1)	55.34
WMH	Wistron Medical Technology Corporation (“WMT”, Taiwan)	100.00	-
WMT	Wistron Medical Tech (Chongqing) Co., Ltd. (“WMCQ”, China)	100.00	-

(Continued)

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2) 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 December 31, 2016	Percentage ownership December 31, 2015
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 2)	99.95	99.95
the Company	Anwith Technology Corporation ("WCHQ", Taiwan)	100.00	100.00
the Company	SMS InfoComm (Singapore) Pte. Ltd. ("WSSG", 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 C.V. ("WSMX", Mexico)	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	100.00	100.00
the Company	ANWITH SERVICE CO., LTD. ("WSTH", Thailand)	100.00	-
the Company	Anwith Corporation ("ANC", U.S.A.)	100.00	-
the Company	SMS Infocomm Global Service (CQ) ("WSCQ", China)	100.00	-
the Company	SMS InfoComm Chile Servicios Limiteda ("WSCL", Chile)	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	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
WSSG/WHK	ICT Service Management Solutions (India) Private Limited ("WIN", India)	100.00	100.00
WSSG	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

3) Subsidiary which is engaged in software research, development, design, trading and consultation:

Investor	Name of subsidiary	Percentage ownership December 31, 2016	Percentage ownership December 31, 2015
AIIH	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	100.00	100.00
WEDH	WIEDU SDN. BHD. ("WEMY", Malaysia)	100.00	100.00

4) Subsidiaries engaged in recycling of electronic products:

Investor	Name of subsidiary	Percentage ownership December 31, 2016	Percentage ownership December 31, 2015
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

(Continued)

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5) Subsidiaries which engaged in internet platform development, providing and selling application services and consultation.

		Percentage ownership	
Investor	**Name of subsidiary**	**December 31, 2016**	**December 31, 2015**
the Company	WiEdu Hong Kong Limited ("WEHK", Hong Kong)	81.27	70.03
WEHK	WIEDU CORPORATION ("WETW", Taiwan)	81.27	70.03
WEHK	Weshtek Information Technology Services Co., Ltd., Shanghai ("WESH", China)	81.27	70.03

6) Investment and holding companies:

		Percentage ownership	
Investor	**Name of subsidiary**	**December 31, 2016**	**December 31, 2015**
the Company	Wise Cap Limited Company ("WCL", Taiwan)	100.00	100.00
the Company	Win Smart Co., Ltd. ("Win Smart", 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
WCL	LE BEN Investment Ltd ("WLB", Taiwan)	100.00	100.00
the Company/AIIH	Wistron Europe Holding Cooperatie U.A. ("WEH", Holland)	100.00	100.00
AIIH	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)	60.56	76.88
the Company	Wistron Medical Tech Holding Company ("WMH", Taiwan)	100.00	-
the Company	Wistron Digital Technology Holding Corporation ("WDH", Taiwan)	100.00	-

(note 1) JLH and its subsidiary, JLKS, are no longer as subsidiaries of the Group from March 11, 2016. Please refer to note 6(g) of the consolidated financial statements for other related information.

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

(iv) Subsidiaries excluded from consolidated: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency of the Group 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 gains or losses 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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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.

(ii) 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, are translated to the 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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed 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

The entity shall classify an asset as current when:

(i) It is expected to be realized the asset, or intended to be sold or consumed during the normal operating cycle;

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(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash 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.

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

The entity shall classify a liability as current when:

(i) It is expected to be settled during its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) 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.

The 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.

Bank overdraft that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial Instruments

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

(i) Financial assets

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.

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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.

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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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4) Impairment of financial assets

Except for financial assets at fair value through profit or loss financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is 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. In addition, 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.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for 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 from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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.

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.

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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.

Impairment losses and recoveries of accounts receivable are recognized in operating expenses; impairment losses and recoveries of other financial assets are recognized in other gains or losses.

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.

(ii) 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.

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.

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.

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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.

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, and are included in other 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.

(iii) Derivative financial instruments

The Group holds derivative financial instruments 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 and included in other gains and losses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. 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.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, those that are classified as financial assets are measured at amortized cost, and included in financial assets measured at cost; and those that are classified as financial liabilities are measured at cost, and included in financial liabilities measured at cost.

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Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(h) Inventories

Inventories are measured individually at the lower of cost or 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 or join control over their financial and operating policies.

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.

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. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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

(i) 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.

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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.

(ii) 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.

(iii) 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:

1) Buildings and improvements: 20 to 50 years

2) Machinery and equipment: 3 to 10 years

3) Molding equipment: 1 year

4) Research and development equipment: 3 to 5 years

5) Furniture, fixtures and other equipment: 3 to10 years

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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(k) Lease

(i) Lessor

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

(ii) Lessee

Leases are operating leases and are not recognized in the Group's non-consolidated balance sheets.

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

(i) Goodwill

1) Initial Recognition

Goodwill which results from purchasing is including in intangible asset.

2) 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.

(ii) 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.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) 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.

(iii) Other Intangible Assets

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

(iv) 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.

(v) 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:

1) Patents: 3 to 10 years

2) Software: 3 to 10 years

3) 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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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; and that reduction will be accounted as an impairment loss, which 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.

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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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.

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

(i) 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.

(ii) Services

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(q) Employee benefits

(i) 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.

(ii) 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 ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) 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.

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group is required to recognize the termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(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:

(i) 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

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:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) 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 revaluated 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.

(t) Business combination

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group re assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(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 compensation.

(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) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(a) Provision of sales return and allowance

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(c) Recognition of the deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those the deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Refer to note 6(o) for further description of the recognition of the deferred tax assets.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 39,939	25,277
Demand and check deposits	45,338,202	29,358,133
Time deposits	13,485,878	29,176,344
	58,864,019	58,559,754
Bank overdrafts used for cash management purposes	(1,302,969)	-
	$ 57,561,050	**58,559,754**

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

(b) Financial assets

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

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

	December 31, 2016	December 31, 2015
Foreign currency swap contracts	$ 254,515	2,978,211
Foreign currency forward contracts	4,409	3,349
	$ 258,924	**2,981,560**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2016	December 31, 2015
Foreign currency swap contracts	$ 19,071	1,639,628
Foreign currency forward contracts	6,059	58,209
	$ 25,130	**1,697,837**

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, 2016 and 2015, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

December 31, 2016		December 31, 2015	
Amount (in thousands)	**Currency**	**Amount (in thousands)**	**Currency**
USD 27,000	USD Put /TWD Call	**USD 131,000**	USD Put /TWD Call
-	-	**USD 2,818,000**	USD Put /CNY Call
USD 1,365,000	TWD Put / USD Call	**USD 1,040,000**	TWD Put / USD Call
-	-	**USD 2,574,000**	CNY Put / USD Call

2) Foreign currency forward contracts:

December 31, 2016		December 31, 2015	
Amount (in thousands)	**Currency**	**Amount (in thousands)**	**Currency**
USD 74,000	USD Put /TWD Call	**USD 316,000**	USD Put /TWD Call
USD 15,000	USD Put /CNY Call	**USD 85,000**	USD Put /CNY Call

(ii) Available-for-sale financial assets

1) Available-for-sale financial assets-current:

	December 31, 2016	December 31, 2015
Funds	**$ 756,632**	**218,601**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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2) Available-for-sale financial assets-non-current:

		December 31, 2016	December 31, 2015
Investment in listed securities:			
Stock listed on domestic markets	$	2,228,090	2,322,059
Stock listed on foreign markets		485	9,770
Convertible bonds		-	19,480
Investment in unlisted securities:			
Stock unlisted on domestic markets		108,578	132,111
Stock unlisted on foreign markets		465,567	265,055
	$	**2,802,720**	**2,748,475**

Sensitivity analysis-equity price risk

If the equity price changes, the impact on other comprehensive income, using the sensitivity analysis based on the same variables (except for the price index for both period), will be as follows:

		2016	2015
Price of securities at reporting date		**After-tax other comprehensive income**	**After-tax other comprehensive income**
Increasing 3%	**$**	**81,705**	**81,053**
Decreasing 3%	**$**	**(81,705)**	**(81,053)**

(iii) Financial assets measured at cost:

		December 31, 2016	December 31, 2015
Stock unlisted on domestic markets	$	170,000	170,000
Stock unlisted on foreign markets		730,872	749,196
Others		638,193	405,911
	$	**1,539,065**	**1,325,107**

(iv) As of December 31, 2016 and 2015, the financial assets were not pledged.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(c) Notes and accounts receivable and other current assets-other receivables

	December 31, 2016	December 31, 2015
Notes receivable	$ 2,743	2,922
Accounts receivable	90,546,481	91,692,573
Accounts receivable-related parties	5,769	520,060
Other current assets-other receivables	6,103,401	4,923,592
Other receivables-related parties	4,678	15,715
Less: allowance for doubtful accounts	(821,742)	(754,829)
	$ 95,841,330	**96,400,033**

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

	December 31, 2016	December 31, 2015
Past due 0~30 days	$ 2,726,386	840,712
Past due 31~60 days	151,576	166,636
Past due 61~90 days	56,612	89,540
Past due 91~120 days	37,147	20,387
Past due over 120 days	295,327	403,972
	$ 3,267,048	**1,521,247**

The Group believed that the receivables were recoverable basing on historical default rates and analysis of clients’ credit rating.

For the years ended December 31, 2016 and 2015, the movements of allowance for doubtful accounts with respect to notes and accounts receivable, accounts receivable-related parties, other current assets-other receivable and other receivable-related parties were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 731,378	23,451	754,829
Effect of changes in consolidated entities	(102,715)	(22,364)	(125,079)
Impairment loss recognized	1,431	198,684	200,115
Written off unrecoverable amount	(1,988)	-	(1,988)
Reclassification	856	(856)	-
Effect of changes in foreign exchange rates	(6,135)	-	(6,135)
Balance at December 31, 2016	**$ 622,827**	**198,915**	**821,742**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 309,401	54,696	364,097
Impairment loss recognized	374,442	16,290	390,732
Reclassification	47,535	(47,535)	-
Balance at December 31, 2015	**$ 731,378**	**23,451**	**754,829**

The Group assesses the impairment losses of the notes receivable, accounts receivable and other current assets-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, 2016 and 2015, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

December 31, 2016

Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
$ 2,972,929	**3,003,054**	**2,585,339**	**1,321,000**	Without recourse	**2,656,909**

December 31, 2015

Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
$ 2,170,886	**2,753,846**	**1,713,393**	**1,666,000**	Without recourse	**1,779,845**

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, 2016 and 2015, included among the factored accounts receivable were accounts receivable of $2,310,208 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 current assets” in the accompanying balance sheets.

For the years ended December 31, 2016 and 2015, the average annual interest rates on factored accounts receivable were 1.10%~2.28% to and 0.83%~1.90%, respectively.

As of December 31, 2016 and 2015, the notes and accounts receivable were not pledged.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Inventories

	December 31, 2016	December 31, 2015
Raw materials	$ 25,107,842	25,124,456
Work in progress	6,156,413	6,397,856
Finished goods	23,709,456	22,656,630
Inventory in transit	10,242,568	13,431,935
	$ 65,216,279	**67,610,877**

(i) For the years ended December 31, 2016 and 2015, the cost of goods sold of inventory cost were $628,263,714 and $593,857,752, respectively.

(ii) For the years ended December 31, 2016 and 2015, the amount of the loss on valuation of inventories and obsolescence and scrap loss due to the write-downs of inventories to the net realized value were $1,763,104 and $1,568,943, respectively.

(iii) For the years ended December 31, 2016 and 2015, the inventories were not pledged.

(e) Equity-accounted investees

As of December 31, 2016 and 2015, the components of investments accounted for using the equity method were as follows:

	December 31, 2016	December 31, 2015
Associates	**$ 5,928,289**	**5,846,378**

(i) As of December 31, 2016 and 2015, the fair value of investments in associates of the Group for which there are public price quotations were as follows:

	December 31, 2016		December 31, 2015	
	Book value	**Fair value**	**Book value**	**Fair value**
WNC	$ 3,314,100	7,589,747	3,187,164	7,488,225
AOI	134,598	151,915	230,867	280,170
WITS	265,640	282,327	321,763	269,082
Formosa Prosonic Industries Berhad	369,459	433,429	427,890	474,374
	$ 4,083,797	**8,457,418**	**4,167,684**	**8,511,851**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) For the years ended December 31, 2016 and 2015, the recognized share of profits and other comprehensive income of associates were as follows:

		2016	2015
Attributable to the Group:			
Net profit	$	(70,420)	200,797
Other comprehensive income		(154,356)	(92,078)
Comprehensive income	$	**(224,776)**	**108,719**

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

		December 31, 2016	December 31, 2015
Total assets	$	**49,744,657**	**49,464,792**
Total liabilities	$	**27,425,778**	**27,209,023**

		2016	2015
Revenue	$	**71,642,952**	**76,805,512**
Profit	$	**1,060,319**	**837,094**

(iv) Collateral

As of December 31, 2016 and 2015 the investments in aforementioned equity-accounted investees were not pledged as collateral.

(f) Acquisition of subsidiary

(i) On January 15, 2015, the Group obtains 55.34% shares of JLH 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 ITS SUBSIDIARIES
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(ii) 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 current assets		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 non-current assets		12,073
Short-term and long-term loans		(188,605)
Notes and accounts payable		(264,506)
Other current liabilities		(136,416)
Other non-current liabilities		(54,366)
	$	**740,871**

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.

(iii) 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		(740,871)
Goodwill	**$**	**224,146**

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, 2016.

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(g) Losing control of subsidiary

The Group did not take part in the issuance of common stock for cash of JLH at the first quarter of 2016. Therefore, the Group's ownership percentage was reduced to lower than 50%, and the Group lost its control over JLH. JLH and its subsidiary, JLKS, were not included in the consolidated entities starting from March 11, 2016. There were no differences between the disposal amount and the book value.

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2016 and 2015, were as follows:

	Land	Building and improvements	Machinery and equipment	Molding equipment	Research and development equipment	Office equipment	Other equipment	Total
Cost or deemed cost:								
Balance at January 1, 2016	$ 3,395,392	27,013,994	19,175,854	15,215,794	2,732,089	2,353,700	8,232,764	78,119,587
Effect of changes in consolidated entities	-	-	(36,865)	-	-	(10,484)	(29,614)	(76,963)
Additions	-	80,458	3,366,372	442,564	130,311	103,170	2,370,222	6,493,097
Reclassification (Note)	-	296,071	737,660	927,177	15,766	(2,151)	(157,147)	1,817,376
Reclassified as expense	-	-	-	(118)	-	(307)	(86)	(511)
Disposals	-	(108,818)	(2,162,630)	(3,546,739)	(201,464)	(57,814)	(618,603)	(6,696,068)
Effect of changes in foreign exchange rates	(3,859)	(707,249)	(525,053)	(619)	(22,733)	(38,071)	(225,346)	(1,522,930)
Balance at December 31, 2016	**$ 3,391,533**	**26,574,456**	**20,555,338**	**13,038,059**	**2,653,969**	**2,348,043**	**9,572,190**	**78,133,588**
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
Effect of changes in consolidated entities	-	-	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
Reclassified as 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	**$ 3,395,392**	**27,013,994**	**19,175,854**	**15,215,794**	**2,732,089**	**2,353,700**	**8,232,764**	**78,119,587**
Accumulated depreciation:								
Balance at January 1, 2016	$ -	8,018,650	9,627,669	14,424,561	1,984,695	1,750,882	4,636,383	40,442,840
Effect of changes in consolidated entities	-	-	(17,242)	-	-	(7,070)	(17,336)	(41,648)
Depreciation	-	1,600,176	3,120,020	1,352,559	316,223	252,778	1,015,658	7,657,414
Reclassification (Note)	-	(145)	(24,755)	-	(5,847)	4	30,708	(35)
Impairment loss	-	-	101,583	-	-	-	-	101,583
Disposals	-	(14,381)	(1,594,685)	(3,546,677)	(203,705)	(52,073)	(448,705)	(5,860,226)
Effect of changes in foreign exchange rates	-	(215,614)	(238,729)	(295)	(11,405)	(26,844)	(121,629)	(614,516)
Balance at December 31, 2016	**$ -**	**9,388,686**	**10,973,861**	**12,230,148**	**2,079,961**	**1,917,677**	**5,095,079**	**41,685,412**
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
Effect of changes in consolidated entities	-	-	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	**$ -**	**8,018,650**	**9,627,669**	**14,424,561**	**1,984,695**	**1,750,882**	**4,636,383**	**40,442,840**
Carrying value:								
Balance at December 31, 2016	**$ 3,391,533**	**17,185,770**	**9,581,477**	**807,911**	**574,008**	**430,366**	**4,477,111**	**36,448,176**
Balance at January 1, 2015	**$ 3,395,392**	**18,995,344**	**9,548,185**	**791,233**	**747,394**	**602,818**	**3,596,381**	**37,676,747**
Balance at December 31, 2015	**$ 3,375,806**	**19,672,406**	**10,192,765**	**831,487**	**959,261**	**804,727**	**3,419,253**	**39,255,705**

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(Note): The reclassifications are mainly the transferring from advance payment for equipment and other non-current assets to intangible assets and expenses, respectively.

During the years ended December 31, 2016 and 2015, the Group disposed the building and improvements and equipments. The amounts of the proceeds of the above-mentioned assets are $452,293 and $455,475, the book values are $835,842 and $1,302,147, respectively, and resulting in the loss on disposal of property, plant and equipment, $383,549 and $846,672, accounted for under other gains and losses.

Please refer to note 8 for the detail of the property, plant and equipment pledged as collateral as of December 31, 2016 and 2015.

(i) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2016 and 2015, were as follows:

	Patent	Goodwill	Software	Customer relationships	Expertise	Other	Total
Costs:							
Balance at January 1, 2016	$ 1,156,524	765,079	2,008,313	531,516	143,463	2,407	4,607,302
Effect of changes in consolidated entities (Note 1)	-	(224,146)	(7,155)	(266,716)	(72,474)	(2,407)	(572,898)
Additions	248,383	-	188,686	-	5,944	-	443,013
Disposals	(230,672)	-	(31,264)	-	(73)	-	(262,009)
Reclassification (Note 2)	(90,899)	-	(82,528)	-	-	-	(173,427)
Effect of changes in foreign exchange rates	(8,476)	20,552	(5,100)	-	(1,698)	-	5,278
Balance at December 31, 2016	**$ 1,074,860**	**561,485**	**2,070,952**	**264,800**	**75,162**	**-**	**4,047,259**
Balance at January 1, 2015	$ 1,150,357	572,473	1,657,747	264,800	68,104	205	3,713,686
Effect of changes in consolidated entities (Note 1)	-	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 2)	-	-	(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	**$ 1,156,524**	**765,079**	**2,008,313**	**531,516**	**143,463**	**2,407**	**4,607,302**
Accumulated amortization:							
Balance at January 1, 2016	$ 778,046	-	1,538,013	264,800	9,658	-	2,590,517
Effect of changes in consolidated entities (Note 1)	-	-	(1,641)	-	-	-	(1,641)
Amortization	93,343	-	289,035	-	9,729	-	392,107
Disposals	-	-	(41,548)	-	(73)	-	(41,621)
Reclassification (Note 2)	(104,043)	-	(32,604)	-	-	-	(136,647)
Effect of changes in foreign exchange rate	(768)	-	(1,913)	-	(240)	-	(2,921)
Balance at December 31, 2016	**$ 766,578**	**-**	**1,749,342**	**264,800**	**19,074**	**-**	**2,799,794**

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	Patent	Goodwill	Software	Customer relationships	Expertise	Other	Total
Balance at January 1, 2015	$ 671,314	-	1,228,137	264,800	2,456	140	2,166,847
Effect of changes in consolidated entities (Note 1)	-	-	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	**$ 778,046**	**-**	**1,538,013**	**264,800**	**9,658**	**-**	**2,590,517**
Carrying value：							
Balance at December 31, 2016	**$ 308,282**	**561,485**	**321,610**	**-**	**56,088**	**-**	**1,247,465**
Balance at December 31, 2015	**$ 378,478**	**765,079**	**470,300**	**266,716**	**133,805**	**2,407**	**2,016,785**
Balance at January 1, 2015	**$ 479,043**	**572,473**	**429,610**	**-**	**65,648**	**65**	**1,546,839**

(Note 1): The Group acquired the goodwill and other intangible assets arising from obtaining control over JLH, and the disposal of the above-mentioned assets in 2016. Please refer to Note 6(g) for details regarding losing control over subsidiary.

(Note 2): Reclassifications are mainly transferring to property, plant and equipment and expense.

(i) Amortization

For the years ended December 31, 2016 and 2015, the amortizations of intangible assets recognized in comprehensive income were as follows:

	2016	2015
Cost of sales	$ 8,044	9,304
Operating expense	384,063	423,702
	$ 392,107	**433,006**

(ii) 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 then Group’s operating divisions.

The carrying amounts of goodwill were as follows:

	December 31, 2016	December 31, 2015
Developing and manufacturing services cash-generating units	**$ 561,485**	**765,085**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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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:

	December 31, 2016	December 31, 2015
Revenue growth rate	8 %	8 %
After-tax discount rate	7.62 %	6.17 %

The value of key assumptions represents the future trending assessment which the management concerns for its industry. Both external and internal history information is its concern. There was no impairment as of December 31, 2016 and 2015.

(iii) Collateral

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

(j) Other current assets and non-current assets

	December 31, 2016	December 31, 2015
Other current assets:		
Other receivables	$ 6,103,401	4,923,592
Prepaid royalties	419,782	584,652
Other prepayments	1,403,761	1,093,614
Tax refundables	2,005,006	2,428,882
Others	774,367	924,612
	$ 10,706,317	**9,955,352**

	December 31, 2016	December 31, 2015
Other non-current assets:		
Advance payment for equipments	$ 1,318,657	732,471
Prepaid rent	1,883,513	1,842,665
Others	939,537	645,047
	$ 4,141,707	**3,220,183**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(k) Bank loans

(i) Short-term loans

	December 31, 2016			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured short-term bank loans	EUR	0.70%	2017/1/11	$ 441,071
Unsecured short-term bank loans	JPY	0.32%~0.77%	2017/1/30~2017/8/1	524,020
Unsecured short-term bank loans	CNY	3.92%	2017/1/17~2017/3/13	1,396,050
Unsecured short-term bank loans	USD	1.06%~2.54%	2017/1/3~2017/11/30	42,401,118
Total				**$ 44,762,259**
Unused credit line				**$ 149,970,399**

	December 31, 2015			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured short-term bank loans	AUD	3.45%	2016/1/12~2016/1/13	$ 12,332
Unsecured short-term bank loans	EUR	0.75%~0.89%	2016/1/22~2016/5/31	534,400
Unsecured short-term bank loans	INR	9.25%	2016/5/11~2016/6/20	121,829
Unsecured short-term bank loans	JPY	0.41%~0.82%	2016/3/31~2016/8/1	1,604,888
Unsecured short-term bank loans	NTD	2.63%~3.45%	2016/6/10~2016/7/28	38,970
Unsecured short-term bank loans	CNY	3.92%~5.80%	2016/1/4~2016/3/30	7,702,628
Unsecured short-term bank loans	SGD	2.17%~2.28%	2016/1/4~2016/1/21	1,054,330
Unsecured short-term bank loans	USD	0.60%~1.85%	2016/1/4~2016/9/21	65,860,166
Secured short-term bank loans	NTD	2.63%~3.45%	2016/6/10~2016/7/28	72,354
Total				**$ 77,001,897**
Unused credit line				**$ 151,379,361**

(ii) Long-term loans

	December 31, 2016			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured long-term bank loans	USD	1.05%~2.18%	2017/1/12~2018/10/30	$ 12,783,880
Unsecured long-term bank loans	NTD	1.15%	2017/3/26~2018/3/26	225,000
Subtotal				13,008,880
Less: current portion				(1,441,160)
Total				**$ 11,567,720**
Unused credit line				**$ 1,071,281**

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	December 31, 2015			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured long-term bank loans	USD	1.49%~1.60%	2018/9/22	$ 12,770,614
Unsecured long-term bank loans	EUR	0.94%	2017/1/12	1,072,591
Unsecured long-term bank loans	NTD	2.63%~3.67%	2016/2/1~2018/3/26	376,621
Secured long-term bank loans	JPY	0.66%	2016/12/30	7,963
Secured long-term bank loans	NTD	2.63%~3.67%	2016/2/1~2016/9/8	6,335
Subtotal				14,234,124
Less: current portion				(165,919)
Total				**$ 14,068,205**
Unused credit line				**$ 1,557,783**

(iii) Breach of covenant

According to the Group's credit loan facility agreement with the banks, 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 banks, the credit facility is no longer available for the Group. The Group was in compliance with the above financial covenants as of December 31, 2016 and 2015.

(iv) The interest expense for long-term and short-term loans for the year end December 31, 2016 and 2015 were disclosed in note 6(s).

(v) For the collateral for bank loans, please refer to note 8.

(l) Provisions

(i) Provisions for warranty

	2016	**2015**
Balance at January 1	$ 2,084,500	1,745,993
Provision made	1,947,384	2,338,343
Provision used	(1,858,786)	(2,084,927)
Effect of changes in foreign exchange rates	(32,419)	85,091
Balance at December 31	**$ 2,140,679**	**2,084,500**

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.

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(ii) Provision of sales return and allowance

	2016	2015
Balance at January 1	$ 3,307,116	1,639,498
Accrual	5,096,813	5,107,802
Payment	(3,485,418)	(3,440,184)
Balance at December 31	**$ 4,918,511**	**3,307,116**

(m) Operating leases

(i) Lessee

Rentals payable of non-cancellable operating lease were as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 424,330	524,092
Between one and five years	933,351	1,090,739
More than five years	46,128	251,171
	$ 1,403,809	**1,866,002**

The Group leases land, a number of offices, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 13 years.

For the years ended December 31, 2016 and 2015, expenses recognized in profit or loss in respect of operating leases, were $1,048,899 and $1,117,780, respectively.

(ii) Lessor

The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 year. For the years ended December 31, 2016 and 2015 lease income recognized in profit or loss, were $124,655 and $74,298, respectively. The future minimum income under non-cancellable lease are as follows:

	December 31, 2016	December 31, 2015
Less than one year	**$ 41,457**	**39,222**

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(n) Employee benefits

(i) Defined benefit plans

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 10,039	8,638
Fair value of plan assets	(10,246)	(10,174)
	(207)	(1,536)
The effect of limiting net defined benefit assets to the asset ceiling	-	-
Net defined benefit assets (accounted for under "Other non-current assets")	**$ (207)**	**(1,536)**

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 1,909,667	1,804,669
Fair value of plan assets	(906,219)	(748,378)
	1,003,448	1,056,291
The effect of limiting net defined benefit assets to the asset ceiling	-	-
Net defined benefit liabilities (accounted for under "Other non-current liabilities")	**$ 1,003,448**	**1,056,291**

The domestic entities of the Group 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 or service and six months prior to retirement.

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

1) Composition of plan assets

The domestic entities of the Group 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".

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The foreign entities of the Group, 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 $916,466 and 758,649 as of December 31, 2016 and 2015. The utilization of the labor pension fund assets of the domestic entities of the Group includes the asset 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:

		2016	2015
Balance at January 1	$	1,813,307	1,760,695
Current service cost and interests		56,521	58,824
Benefit paid by the plan		(115,357)	(111,834)
Benefit paid by the Company		(4,880)	(1,493)
Net remeasurements of defined benefit liability			
－Actuarial losses arising from changes in financial assumptions		116,983	56,020
－Experience adjustments		44,921	50,808
Prior service cost		9,795	-
Effect of change in foreign exchange rates		(1,584)	287
Balance at December 31	$	**1,919,706**	**1,813,307**

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:

		2016	2015
Fair value of plan assets at January 1	$	758,552	812,719
Contribution from plan participants		267,418	37,433
Benefit paid by the plan		(115,357)	(111,834)
Expected return on plan assets		14,202	16,317
Net remeasurements of defined benefit liability (asset)			
－Return on plan assets		(8,350)	3,917
Balance at December 31	$	**916,465**	**758,552**

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

As of December 31, 2016 and 2015, there is no change in effect of limiting net defined benefit assets to the asset ceiling.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2016 and 2015, were as follow:

	2016	2015
Current service cost	$ 21,978	23,440
Net interest on the net defined benefit liability	34,543	35,384
Net remeasurements of defined benefit liability (asset)		
－Return on plan assets	(8,350)	3,917
Actual return on plan assets	(5,852)	(20,234)
Prior service cost	9,795	-
	$ 52,114	**42,507**

	2016	2015
Cost of sales	$ 7,116	7,562
Selling expenses	17,799	8,445
Administrative expenses	5,966	6,379
Research and development expenses	21,233	20,121
	$ 52,114	**42,507**

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

As of December 31, 2016 and 2015, the Group's remeasurements of the net defined benefit liability recognized in other comprehensive income were as follows:

	2016	2015
Balance as of January 1	$ 138,430	35,519
Recognized during the year	170,254	102,911
Balance as of December 31	**$ 308,684**	**138,430**

7) Actuarial assumptions

The Group's principal actuarial assumptions at the reporting date are as follows:

	December 31, 2016	December 31, 2015
Discount rate	1.375%~5.7%	1.875%~4.9%
Future salary increases	0.9%~5%	1.16%~5%

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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The Group expects to make contributions of $36,771 to the defined benefit plans in the year ended December 31, 2016. The weighted average of the defined benefit plan is 15.20~17.33 years.

8) Sensitivity analysis

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

	Effects to the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2016		
Discount rate	$ (60,827)	63,492
Future salary increases	61,410	(59,159)
December 31, 2015		
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.

(ii) Defined contribution plans

The domestic entities of the Group 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 entities of the Group are in accordance with local regulations.

The Group set aside $424,647 and $411,826 of the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2016 and 2015, respectively.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(o) Income Taxes

(i) Income tax expense

The details of income tax expense for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current tax expense		
Current period	$ 1,848,895	1,687,071
Prior-period adjustments	547,786	(157,432)
	2,396,681	1,529,639
Deferred tax benefit		
Origination and reversal of temporary difference	(632,585)	(430,169)
Income tax expense	**$ 1,764,096**	**1,099,470**

(ii) The amounts of income tax benefit recognized in other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Items that may not be reclassified to profit or loss subsequently:		
Remeasurements of the net defined benefit liability	**$ (29,005)**	**(17,758)**
Items that may be reclassified to profit or loss subsequently:		
Exchange differences on translation of foreign financial statements	$ (900)	489
Unrealized losses on available-for-sale financial assets	(29,825)	(17,503)
	$ (30,725)	**(17,014)**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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(iii) The reconciliation of income tax expense and profit before tax for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Profit before tax	$ 4,757,100	2,370,365
Estimated income tax calculated based on financial income before tax at the Company's statutory tax rate	808,707	402,962
Tax effects of different tax rates applicable in foreign jurisdiction	(238,882)	271,933
10% surtax on undistributed earnings	5,695	232,444
Non-deductible expense and loss	45,911	39,833
Tax-exempt income	(185,525)	(288,805)
Investment tax credits	(170,000)	(170,000)
Current-year losses for which no deferred tax asset was recognized	352,398	298,833
Change in unrecognized deductible temporary difference	538,499	125,260
Prior-period tax adjustments	547,786	(157,432)
Others	59,507	344,442
	$ 1,764,096	**1,099,470**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liability

Deferred tax assets have not been recognized in respect of the following items.

	December 31, 2016	December 31, 2015
Unused tax losses carryforwards	$ 1,055,007	702,609
Deductible temporary differences	726,985	188,486
	$ 1,781,992	**891,095**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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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, 2016, the Group's loss carryforwards recognized and unrecognized as deferred tax assets and the expiry year were as follows:

Expiry year	Recognized un-deducted operating loss	Unrecognized un-deducted operating loss	Total
2017	$ -	102,161	102,161
2018	193,024	112,252	305,276
2019	883,897	50,872	934,769
2020	150,805	338,727	489,532
2021	39,146	284,960	324,106
2022	-	5	5
2023	25,836	-	25,836
2024	-	220	220
2025	12,163	5,407	17,570
2016	484	37,814	38,298
After 2026	266,389	122,589	388,978
	$ 1,571,744	**1,055,007**	**2,626,751**

2) Unrecognized deferred tax assets and liabilities on investment

As of December 31, 2016 and 2015, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets and liabilities as follows:

	December 31, 2016	December 31, 2015
The temporary differences associated with investment in subsidiaries (tax amount):		
Unrecognized deferred tax assets	**$ 457,160**	**90,103**
Unrecognized deferred tax liabilities	**$ 836,794**	**-**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 were as follows:

Deferred tax assets:		Recognized share of losses of subsidiaries and associates accounted for equity method	Unrealized exchange loss	Provision	Unrealized sales returns and allowance	Loss carryforwards	Tax difference arising from depreciation of property, plant and equipment	Other	Total
Balance at January 1, 2016	$	422,723	568,803	342,599	562,192	1,873,213	777,709	913,793	5,461,032
Recognized in profit or loss		(90,732)	(531,927)	20,716	436,215	(301,469)	(47,159)	(14,101)	(528,457)
Recognized in other comprehensive income		-	-	-	-	-	-	58,830	58,830
Balance at December 31, 2016	$	**331,991**	**36,876**	**363,315**	**998,407**	**1,571,744**	**730,550**	**958,522**	**4,991,405**
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	$	**422,723**	**568,803**	**342,599**	**562,192**	**1,873,213**	**777,709**	**913,793**	**5,461,032**

Deferred income tax liabilities:		Recognized share of gain of subsidiaries and associates accounted for equity method	Unrealized exchange gain	Other	Total
Balance at January 1, 2016	$	4,507,292	-	400,908	4,908,200
Recognized in profit or loss		(995,916)	-	(165,126)	(1,161,042)
Recognized in other comprehensive income		-	-	(900)	(900)
Balance at December 31, 2016	$	**3,511,376**	**-**	**234,882**	**3,746,258**
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	$	**4,507,292**	**-**	**400,908**	**4,908,200**

4) The ROC income tax authorities have examined the Company's income tax returns for all years through 2014.

5) Integrated income tax information

As of December 31, 2016 and 2015, the Company's integrated income tax information was as follows:

		December 31, 2016	December 31, 2015
Unappropriated earnings, before January 1, 1998	$	-	-
Unappropriated earnings, from January 1, 1998		14,049,157	13,606,494
	$	**14,049,157**	**13,606,494**
Balance of deductible tax account	$	**3,862,057**	**3,018,463**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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	2016(estimated)	2015(actual)
Creditable ratio for earnings distribution to domestic stockholders	29.66%	24.52%

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.

6) Appeals for administrative remedies

a) 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.

b) 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.

c) 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 totaling to $11,818 in November, 2015 and February 2016.

d) 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. The tax authorities adjudicated on returning income tax for $6,650 in March, 2016.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

e) For 2012, the tax authorities assessed thtat 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. The tax authorities adjudicated on returning income tax for $6,892 in March, 2016.

f) For 2013, the tax authorities assessed that the Company should pay for an additional income tax of $331,692, after reducing some of the Company's amortization expense and disclaiming some of the Company's investment credits. However, the Company disagreed with the authorities's assessment and filed an appeal to the tax authorities for administrative remedies of its 2013 income tax returns. As of December 31, 2016, the appeal of the aforementioned returns was still in progress.

g) For 2014, the tax authorities assessed that the Company should pay for an additional income tax of $509,270, after reducing some of the Company's amortization expense and disclaiming some of the Company's investment credits. However, the Company disagreed with the authorities's assessment and filed an appeal to the tax authorities for administrative remedies of its 2014 income tax returns.

(p) Capital and Other Equities

As of December 31, 2016 and 2015, the Company's authorized common stock consisted of 4,000,000,000 and 3,000,000,000 shares, respectively, with a par value of $10 per share, of which 2,650,316,000 shares and 2,555,482,000 shares, respectively, were issued and outstanding.

(i) Capital

On June 15, 2016, the Company's shareholders approve a resolution to distribute the retained earnings and employee compensations with the amounts of $726,336 and $496,015, totaling $1,222,351, which consisted of 96,654,000 shares, wherein, 30 shares per thousand shares are to be distributed as stock dividend. However, the Company repurchased its treasury stock and transferred it's treasury stock to employees. The distribution had been changed to 29.91332 shares per thousand shares accordingly. The dividend distribution date was set on August 15, 2016, 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 1,820,000 shares with a face value of $18,197. The recognition date for capital reduction was November 11, 2016, and all related registration procedures had been completed.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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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 for employees who failed to qualify with the Company's certain requirements 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.

(ii) Treasury Stock

1) During the year ended December 31, 2016 and 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. The compensation cost recognized by the Company in 2015 amounting to $25,001. As of December 31, 2016 and 2015, the treasury stock repurchased was 164,362,000 shares and 140,000,000 share, respectively, and the stock transferred to employees was 40,473,000 shares and 0 share, respectively. Therefore, the shares of treasury stock the Company hold as of December 31, 2016 and 2015 was 123,889,000 shares and 140,000,000 shares, respectively.

2) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10 % of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those that were not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

(iii) Capital surplus

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

		December 31, 2016	December 31, 2015
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		19,137,751	18,881,938
Surplus arising from equity-accounted investees		201,967	98,730
Employee stock options		65,434	65,434
Restricted employee shares of stock		115,929	(163,775)
Transaction of treasury stock		32,504	25,001
	$	**21,353,585**	**20,707,328**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

(iv) Unappropriated earnings

The Company's article of incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors.

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 accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Dividends

As the Group 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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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4) Earnings Distribution

The appropriation of 2014 earnings that was approved at the shareholders' meeting on June 26, 2015 and the appropriation of 2015 earnings that was approved at the shareholders' meeting on June 15, 2016 were as follows:

	2015	2014
Cash dividends	$ 2,905,344	2,961,921
Stock dividends	726,336	740,480
	$ 3,631,680	**3,702,401**

	2014
Employee's bonus－stock	$ 691,782
Directors' compensation－cash	46,150
	$ 737,932

The aforementioned distribution of common stock was no difference between the actual amounts and the amounts approved at the shareholders' meeting in 2014 and 2015. The Company recognized the employee compensions 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. In addition, the employee compensions 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 2015. For further information, please refer to Market Observation Post System.

5) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Other unearned compensation for restricted employee shares of stock
	Group	Associates	Group	Associates	Group
Balance at January 1, 2016	$ 3,417,186	25,559	(468,957)	60,761	(22,389)
Foreign currency translation differences (net of tax)	(2,060,283)	(181,035)	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	(73,437)	30,333	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	(91,332)
Balance at December 31, 2016	**$ 1,356,903**	**(155,476)**	**(542,394)**	**91,094**	**(113,721)**
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	**$ 3,417,186**	**25,559**	**(468,957)**	**60,761**	**(22,389)**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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(q) Share-based payment transactions

(i) The Company-restricted employee shares of stock

1) 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.

2) The number of the restricted employee shares of stock (in thousands) for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Outstanding at the beginning of year	$ 39,756	59,657
Vested	(19,201)	-
Retired	(1,779)	(19,901)
Outstanding at the end of year	**$ 18,776**	**39,756**

3) 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%

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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4) For the years ended December 31, 2016 and 2015, the accrued (reversed) compensation cost for the restricted employee shares of stock amounted to $170,582 and $(80,881), respectively, were accounted for under cost of sales and operating expenses.

As the second vesting period (the third year from the grant date) ended in August 2016, the Company retired restricted employee shares for the employees who failed to qualify with the Compnay's certain requirements, as well as the cash and stock dividends generated from the above-mentioned restricted employee shares. Therefore, the Company retrieved the cash dividend amounting to $1,628 in August 2016, and decided to retrieve and retire the employee shares of 1,779,000 and the stock dividend of 41,000 on 11 November, 2016.

(ii) WYHQ-Employee stock option

1) On January 26, 2015, the board of directors of WYHQ approved a resolution to issue the employee stock options of 1,000 thousand units. The employee stock options were issued on February 15, 2015 in accordance with the resolution of the board of directors. WYHQ will issue new shares to fulfill its obligations.

a) The details of employee stock options were as follows:

i) The exercise price is $17.4. (Adjustments on the price will be made once the outstanding shares change.)

ii) The stock options are vested 33% annually. The vesting periods are as follows:

Grant period	Exercise ratio (cumulative)
February 15, 2017	1/3
February 15, 2018	2/3
February 15, 2019	3/3

iii) WYHQ will be issue new shares.

iv) WYHQ will deliver new shares to employees in accordance with the regulations of issuance and the employee stock option plan.

2) WYHQ adopted the Black-Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

Fair value at grant date (dollars)	$	7.19
Share price at grant date (dollars)	$	25.98
Exercise price (dollars)	$	17.40
Expected volatility		38.87 %
Expected life		2 years
Risk-free interest rate		0.60 %

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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3) The shares (in thousands) of the employee stock options were as follows:

	2016	2015
Outstanding at the beginning of year	$ 910	-
Granted	-	1,000
Forfeited	(54)	(90)
Outstanding at the end of year	**$ 856**	**910**

4) As of December 31, 2016, the WYHQ's outstanding employee stock options were as follows:

	December 31, 2016				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted- average of remaining duration (years)
2015.02.15	$ 10.64	856	1.96	-	$ -

5) The compensation cost for employee stock option

For the year ended December 31, 2016 and 2015, the compensation cost for employee stock options amounted to $2,597 and $2,381, respectively, which had been recorded under operating expenses.

(r) Earnings per share

	2016	2015
Basic EPS:		
Net profit belonging to common shareholders	**$ 2,961,101**	**1,334,094**
Weighted average common stock outstanding (in thousands)	2,471,672	2,519,726
	$ 1.20	**0.53**
Diluted EPS:		
Net profit belonging to common shareholders	$ 2,961,101	1,334,094
Effect of potentially dilutive common stock (in thousands):		
Weighted average common stock outstanding (in thousands)	2,471,672	2,519,726
Effect of potentially dilutive common stock (in thousands):		
Convertible bonds	-	785
Employee compensation	35,561	46,871
Restricted employee shares of stock	29,467	35,677
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	2,536,700	2,603,059
	$ 1.17	**0.51**

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(s) Revenue and non-operating income and expenses

(i) Revenue

		2016	2015
Computer, Communication & Consumer electronics	$	566,277,457	504,428,441
Others		93,630,774	118,845,547
	$	**659,908,231**	**623,273,988**

(ii) Other income

		2016	2015
Interest income	$	933,695	1,609,279
Dividend income		108,650	132,890
Rental income		124,655	74,298
	$	**1,167,000**	**1,816,467**

(iii) Other gain and loss

		2016	2015
Foreign exchange gains (losses), net	$	287,721	(1,243,543)
Gains (losses) on disposal of investment, net		(9,317)	8,149
Losses on disposal of property plant and equipment, net		(383,549)	(846,672)
Gains on disposal of intangible assets		72,753	-
Gains (losses) on valuation of financial assets (liabilities) by fair value, net		(557,970)	2,862,735
Other investment loss, net		(40,611)	(431,384)
Impairment losses		(377,110)	(174,272)
Others		638,184	(349,211)
	$	**(369,899)**	**(174,198)**

(iv) Finance costs

		2016	2015
Interest expenses			
Bank loans	$	**(1,981,651)**	**(1,862,406)**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(t) Employee's and director's compensation

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation), it shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 5% of profit as employees' compensation. The Company may distribute in the form of shares or in cash, including the employees of subsidiaries of the Company, who meet the certain specific requirements determined by the Board of Directors.

(ii) No more than 1% of profit as the compensation in cash to the Directors

The Company's estimated of employee and director's compensation were as follows:

	2016	2015
Employee's compensation	$ 615,440	496,015
Directors' compensation	40,619	24,565
	$ 656,059	**520,580**

The amounts are calculated by the net profit before tax excluding employee and directors' compensation, of each period multiplied by the percentage of employee and directors' compensation as specified in the Company's Article of Incorporation. The amounts are accounted for under operating expense or cost in 2016 and 2015. The numbers of shares distributed in 2016 and 2015, were calculated basing on the closing price of the Company, one day before the date of the meeting of Board of Directors on March 20, 2017 and March 25, 2016, respectively. Related information would be available at the Market Observation Post System website.

The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year. In 2015, the Company is no difference between the amounts of employee and directors' compensation approved in the shareholders' meeting and those recognized in the financial statements.

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) 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, 2016 and 2015, 60% and 76% of the Group's accounts receivable were concentrated on 4 and 6 specific customers, respectively. Accordingly, concentrations of credit risk exist.

(ii) 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
As of December 31, 2016						
Non-derivative financial liabilities						
Short-term loans	$ 44,762,259	44,826,184	44,826,184	-	-	-
Notes and accounts payable (including related parties)	124,221,933	124,221,933	124,221,933	-	-	-
Other payables (including related parties)	20,558,799	20,558,799	20,558,799	-	-	-
Long-term loans (including current portion)	13,008,880	13,434,672	1,442,690	11,991,982	-	-
Subtotal	202,551,871	203,041,588	191,049,606	11,991,982	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	$ 19,071	16,704,710	16,704,710	-	-	-
Inflow	-	(16,685,639)	(16,685,639)	-	-	-
Carrying amount	19,071	19,071	19,071	-	-	-
Foreign currency forward contracts:						
Outflow	6,059	489,680	489,680	-	-	-
Inflow	-	(483,621)	(483,621)	-	-	-
Carrying amount	6,059	6,059	6,059	-	-	-
Subtotal	25,130	25,130	25,130	-	-	-
Total	**$ 202,577,001**	**203,066,718**	**191,074,736**	**11,991,982**	**-**	**-**
As of December 31, 2015						
Non-derivative financial liabilities						
Short-term loans	$ 77,001,897	77,102,022	77,102,022	-	-	-
Notes and accounts payable (including related parties)	101,303,277	101,303,277	101,303,277	-	-	-
Other payables (including related parties)	13,765,545	13,765,545	13,765,545	-	-	-
Long-term loans (including current portion)	14,234,124	14,705,033	1,672,833	4,283,169	8,749,031	-
Subtotal	206,304,843	206,875,877	193,843,677	4,283,169	8,749,031	-
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	1,639,628	1,639,628	1,639,628	-	-	-
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	**$ 208,002,680**	**208,573,714**	**195,541,514**	**4,283,169**	**8,749,031**	**-**

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2016				December 31, 2015			
	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate		TWD
Financial assets								
Monetary items								
USD	1,760.56	USD/BRL=	3.256	56,829	5,058.80	USD/BRL=	3.963	167,274
	7.28	USD/COP=	2,997.230	235	133.20	USD/COP=	3,208.900	4,404
	8,131.18	USD/CZK=	25.711	262,466	52,673.48	USD/CZK=	24.754	1,741,701
	0.93	USD/HKD=	7.755	30	47.98	USD/HKD=	7.750	1,586
	73.92	USD/INR=	67.960	2,386	1,057.00	USD/INR=	66.220	34,951
	5,497.78	USD/JPY=	117.050	177,463	5,597.32	USD/JPY=	120.410	185,081
	1,328.07	USD/MXN=	20.715	42,869	1,566.91	USD/MXN=	17.380	51,812
	126.31	USD/MYR=	4.488	4,077	8.00	USD/MYR=	4.297	265
	1,945,136.96	USD/TWD=	32.279	62,787,076	2,308,812.54	USD/TWD=	33.066	76,343,195
	4,800.22	USD/CNY=	6.937	154,946	62,174.77	USD/CNY=	6.488	2,055,871
					28,547.97	USD/SGD=	1.407	943,967
					236.02	USD/TRY=	2.915	7,804
CNY	68,889.48	CNY/TWD=	4.654	320,577	24,690.08	CNY/TWD=	5.097	125,843
	715,274.90	CNY/USD=	0.144	3,328,532	1,924,220.93	CNY/USD=	0.154	9,807,562
Non-monetary								
USD	11,521.95	USD/TWD=	32.279	371,917	6,190	USD/TWD=	33.066	204,691
Financial liabilities								
Monetary items								
USD	307.80	USD/BRL=	3.256	9,935	5,363.92	USD/BRL=	3.963	177,363
	21,438.00	USD/CZK=	25.711	691,997	2,000.00	USD/COP=	3,208.900	66,132
	6.02	USD/HKD=	7.755	194	7,182.73	USD/CZK=	24.754	237,504
	7,731.85	USD/INR=	67.960	249,576	7.40	USD/HKD=	7.750	245
	1.53	USD/JPY=	117.050	49	9,436.00	USD/INR=	66.220	312,011
	6,190.21	USD/MXN=	20.715	199,814	563.98	USD/JPY=	120.410	18,648
	3,152.94	USD/MYR=	4.488	101,774	7,093.94	USD/MXN=	17.380	234,568
	2,860,283.49	USD/TWD=	32.279	92,327,091	2,500.00	USD/MYR=	4.297	82,665
	26,744.48	USD/CNY=	6.937	863,285	2,860,056.01	USD/TWD=	33.066	94,570,612
					81,336.81	USD/CNY=	6.488	2,689,483
					57,912.07	USD/SGD=	1.407	1,914,921
CNY	175.10	CNY/TWD=	4.654	815	1,191,100.00	CNY/TWD=	5.097	6,070,918
	2,812,562.03	CNY/USD=	0.144	13,088,257	2,008,674.27	CNY/USD=	0.154	10,238,012

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WISTRON CORPORATION AND ITS 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, 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, 2016 and 2015, would increase (decrease) the net profit after tax by $1,660,970 and $1,034,889, respectively. The analysis assumes that all other variables remain constant.

(iv) Interest analysis

The interest risk for financial liabilities of the Group would be explained in liquidity risk management stated in this note.

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 $74,010 and $109,209 for the years ended December 31, 2016 and 2015, with all other variable factors that remain constant. This is mainly due to the Group's borrowings in floating variable rate.

(v) Fair value information

1) Categories and fair values of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

	December 31, 2016				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	**$ 258,924**	**-**	**258,924**	**-**	**258,924**
Available-for-sale financial assets	**$ 3,559,352**	**2,985,207**	**574,145**	**-**	**3,559,352**
Financial assets carried at cost	**$ 1,539,065**	**-**	**-**	**-**	**-**
Other financial assets-current	**$ 255,943**	**-**	**255,943**	**-**	**255,943**
Loans and receivables					
Cash and cash equivalents	57,561,050	-	-	-	-
Notes and accounts receivable(including related parties)	89,733,251	-	-	-	-
Other receivable(including related parties)	6,108,079	-	-	-	-
Subtotal	**$ 153,402,380**	**-**	**-**	**-**	**-**
Guarantee deposits	**$ 348,603**	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 25,130**	**-**	**25,130**	**-**	**25,130**
Financial liabilities at amortized cost					
Short-term loans	44,762,259	-	-	-	-
Notes and accounts payable (including related parties)	124,221,933	-	-	-	-
Other payables (including related parties)	20,558,799	-	-	-	-
Long-term loans (including current portion)	13,008,880	-	-	-	-
Subtotal	**$ 202,551,871**	**-**	**-**	**-**	**-**

	December 31, 2015				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	**$ 2,981,560**	**-**	**2,981,560**	**-**	**2,981,560**
Available-for-sale financial assets	**$ 2,967,076**	**2,569,910**	**397,166**	**-**	**2,967,076**
Financial assets carried at cost	**$ 1,325,107**	**-**	**-**	**-**	**-**
Loans and receivables					
Cash and cash equivalents	58,559,754	-	-	-	-
Notes and accounts receivable(including related parties)	91,460,726	-	-	-	-
Other receivable (including related parties)	4,939,307	-	-	-	-
Subtotal	**$ 154,959,787**	**-**	**-**	**-**	**-**
Guarantee deposits	**$ 371,662**	**-**	**-**	**-**	**-**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2015				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	$ **1,697,837**	-	**1,697,837**	-	**1,697,837**
Financial liabilities at amortized cost					
Short-term loans	77,001,897	-	-	-	-
Notes and accounts payable (including related parties)	101,303,277	-	-	-	-
Other payables (including related parties)	13,765,545	-	-	-	-
Long-term loans (including current portion)	14,234,124	-	-	-	-
Subtotal	$ **206,304,843**	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination

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

a) The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.

b) The derivative instruments were measured by models which are widely accepted by users from the market. The forward contracts would usually measure by forward exchange rates.

c) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

3) Transfer from Level 1 to Level 2.

For the years ended December 31, 2016, 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 became 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, 2016 and 2015.

4) 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(v) Concentration of financial risk

(i) 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.

(ii) 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.

(iii) 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2016 and 2015.

(iv) 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, 2016 and 2015, the Group has unused credit facilities for short-term and long-term loans of $151,041,680 and $152,937,144, respectively.

(v) 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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, the New Taiwan Dollar. 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.

2) Interest risk

The Group's short-term loans, long-term loans 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.

(w) 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 ratio to manage capital. This ratio uses the total debt to be divided by the total assets.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group's debt ratio as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 214,787,109	221,167,831
Total assets	$ 282,755,558	290,385,044
Debt ratio	76%	76%

As of December 31, 2016, the Group's capital management strategy is consistent with the prior year.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Related party transactions

(i) Sales

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

	Sales		Receivables from related parties	
	2016	2015	December 31, 2016	December 31, 2015
Associates	$ 1,956,289	5,193,120	5,769	520,060

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.

(ii) Purchases

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

	Purchases		Payables to related parties	
	2016	2015	December 31, 2016	December 31, 2015
Associates	$ 4,701,229	8,806,561	1,186,708	2,093,958

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) Other income and others

	Amount		Other receivables from related parties	
	2016	**2015**	**December 31, 2016**	**December 31, 2015**
Associates:				
Rental income	$ 11,265	7,109	355	9
Property transactions	679	8,041	137	144
	$ 11,944	**15,150**	**492**	**153**

(iv) Operating expense and others

	Amount		Other payables to related parties	
	2016	**2015**	**December 31, 2016**	**December 31, 2015**
Associates:				
Property transactions	$ 47,610	115,739	31,069	58,631
Other related parties:				
Contribution	2,668	4,907	-	-
	$ 50,278	**120,646**	**31,069**	**58,631**

(v) 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:

	Other receivables from related parties	
	December 31, 2016	**December 31, 2015**
Associates	**$ 4,186**	**15,562**

(vi) 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:

	Other payables to related parties	
	December 31, 2016	**December 31, 2015**
Associates	**$ 12,185**	**7,470**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(vii) Receivables from related parties resulting from the above transactions were as follows:

	December 31, 2016	December 31, 2015
Receivables from related parties:		
Notes and accounts receivable	**$ 5,769**	**520,060**
Other receivable-related parties:		
Rental receivable	$ 355	9
Receivable from sale of property, plant and equipment	137	144
Other receivables	4,186	15,562
	$ 4,678	**15,715**

(viii) Payables to related parties resulting from the above transactions were as follows:

	December 31, 2016	December 31, 2015
Payables to related parties:		
Notes and accounts payable	**$ 1,186,708**	**2,093,958**
Other payables-related parties:		
Payable to purchase of property, plant and equipment	$ 31,069	58,631
Other payables	12,185	7,470
	$ 43,254	**66,101**

(c) Transactions with key management personnel

Key management personnel compensation:

	2016	2015
Short-term employee benefits	$ 57,586	54,752
Post-employment benefits	1,181	1,145
	$ 58,767	**55,897**

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Pledged assets:

The carrying values of pledged assets are as follow:

Pledged assets	Object	December 31, 2016	December 31, 2015
Property, plant and equipment-lands and buildings	Bank loan	$ 333,080	332,461
Other non-current assets -restricted bank deposit	Stand by L/C	9,434	9,524
Other non-current assets -restricted bank deposit	Foreign exchange guarantee	325,745	-
Other non-current assets -restricted bank deposit	Custom guarantee	6,456	6,613
Other non-current assets -restricted bank deposit	Performance guarantee	-	10,502
Other non-current assets -restricted bank deposit	Litigation guarantee	980	499
Other current assets -restricted bank deposit	Bank loan	-	24,697
		$ 675,695	**384,296**

(9) Commitments and contingencies:

As of December 31, 2016 and 2015, the unused letters of credit were as follows:

	December 31, 2016	December 31, 2015
Unused letters of credit	**$ 90,566**	**43,648**

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

The appropriation of earnings for 2016 that was approved at the board of directors meeting on March 20, 2017 were as follows:

	2016
Cash dividends	$ 3,042,169
Stock dividends	760,542
Total	**$ 3,802,711**

The appropriation of earnings for 2016 are to be presented for approval in the shareholders' meeting to be held in June.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Other:

Total personnel, depreciation and amortization expenses categorized by function for the years ended December 31, 2016 and 2015 were as follows:

	2016			2015		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Personnel expenses						
Salaries	13,705,128	9,998,975	23,704,103	14,701,406	9,818,310	24,519,716
Labor and health insurance	1,645,473	915,500	2,560,973	1,797,725	960,877	2,758,602
Pension	70,681	406,080	476,761	67,805	386,528	454,333
Others	1,561,656	586,167	2,147,823	1,250,985	592,278	1,843,263
Depreciation	5,695,887	1,961,527	7,657,414	5,600,837	2,241,379	7,842,216
Amortization	8,044	384,063	392,107	9,304	423,702	433,006

The Group had 83,278 and 60,681 employees, respectively, as of December 31, 2016 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.

(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.

(Continued)

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

	2016			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	$ 566,277,457	93,630,774	-	659,908,231
Segment revenues	5,390,073	1,587,130	(6,977,203)	-
Total revenues	**$ 571,667,530**	**95,217,904**	**(6,977,203)**	**659,908,231**
Segment profit	**$ 4,712,175**	**1,299,895**	**(1,254,970)**	**4,757,100**
Accounts receivable	$ 67,769,096	21,958,386		89,727,482
Inventories	54,568,215	10,648,064		65,216,279
Segment identifiable assets	**$ 122,337,311**	**32,606,450**		**154,943,761**
General assets				**127,811,797**
Total assets				**$ 282,755,558**
Accounts payable	$ 108,596,596	14,438,629		123,035,225
Segment identifiable liabilities	**$ 108,596,596**	**14,438,629**		**123,035,225**
General liabilities				**91,751,884**
Total liabilities				**$ 214,787,109**

	2015			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	$ 504,428,441	118,845,547	-	623,273,988
Segment revenues	6,430,395	2,588,390	(9,018,785)	-
Total revenues	**$ 510,858,836**	**121,433,937**	**(9,018,785)**	**623,273,988**
Segment profit	**$ 3,074,413**	**(684,708)**	**(19,340)**	**2,370,365**
Accounts receivable	$ 64,044,463	26,896,203		90,940,666
Inventories	50,976,999	16,633,878		67,610,877
Segment identifiable assets	**$ 115,021,462**	**43,530,081**		**158,551,543**
General assets				**131,833,501**
Total assets				**$ 290,385,044**
Accounts payable	$ 78,682,911	20,526,408		99,209,319
Segment identifiable liabilities	**$ 78,682,911**	**20,526,408**		**99,209,319**
General liabilities				**121,958,512**
Total liabilities				**$ 221,167,831**

(c) Information about the products and services

Information about the Group's revenue from external customers was as follows:

	2016	2015
Computer, Communication & Consumer electronics	$ 566,277,457	504,428,441
Others	93,630,774	118,845,547
	$ 659,908,231	**623,273,988**

(Continued)

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(d) 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:

Geography	2016	2015
Taiwan	$ 430,060,296	390,606,074
Asia	149,968,370	147,565,212
Others	79,879,565	85,102,702
	$ 659,908,231	**623,273,988**

Non-current assets:

Geography	December 31, 2016	December 31, 2015
Taiwan	$ 6,831,243	7,888,402
Asia	31,648,395	30,674,151
Others	2,796,225	3,586,083
	$ 41,275,863	**42,148,636**

Non-current assets include the property, plant and equipment, intangible assets and other non-current assets, aside from the financial instruments, deferred tax assets and goodwill.

(e) Information about revenue from major customers

For the years ended December 31, 2016 and 2015, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

	2016		2015	
Customer	Net revenue	Percentage of net revenue	Net revenue	Percentage of net revenue
Customer H	$ 133,893,200	20	157,977,795	25
Customer B	91,309,525	14	103,461,741	17
Customer G	83,087,174	13	40,234,977	6
Customer F	68,719,028	10	80,761,873	13

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