# WISTRON CORPORATION

## 2017 ANNUAL GENERAL SHAREHOLDERS' MEETING MINUTES

(Translation)

**Time:** 9:00a.m., June 14, 2017

**Venue:** Farglory International Convention Center
(4F., No. 99, Section 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan, ROC)

Total outstanding shares of Wistron Corporation: 2,535,140,839 shares. (Excluding the treasury shares 115,175,600 shares).

Total shares represented by shareholders present in person or by proxy: 1,742,657,651 shares

Percentage of outstanding shares held by shareholders present in person or by proxy: 68.74%

Chairman: Simon Lin, Chairman of the Board of Directors

Attendees: Robert Huang, Director of the Board of Directors
James Wu, Independent Director of the Board of Directors

Recorder: Steven Wang

The aggregate number of shares present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

Chairman's Address (omitted)

## I. Report Items

1. Report the business of 2016. (Please refer to Attachment 1)

2. Audit Committee’s Review Report. (Please refer to Attachment 2)

3. Report the compensation for employees and directors of 2016. (Please refer to Meeting Agenda)

4. Report the status of treasury stocks buyback. (Please refer to Meeting Agenda)

5. Report the amendments to the “Codes of Ethical Conduct”. (Please refer to Meeting Agenda)

6. Report the amendments to the “Ethical Corporate Management Best Practice Principles”. (Please refer to Meeting Agenda)

## II. Ratification Items and Discussion Items

**ITEM 1**: **Ratification of the Business Report and Financial Statements of 2016**

Proposal: Submission (by the BOD) of the Company's 2016 business report and financial statements for ratification.

Details:

Submission for ratification of the Company's business report and financial statements for 2016 (Attachment 1: including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows), which have all been adopted by the BOD with resolution and examined by the Audit Committee, and are hereby submitted for ratification. (Please refer to Attachment 1.)

Resolution:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,341,356,035 (including 1,196,052,827 votes through e-voting) | 76.97 | 185,560 (including 185,560 votes through e-voting) | 0.01 | 0 | 0 | 401,116,056 (including 398,302,240 votes through e-voting) | 23.02 |

RESOLVED, that the Company's business report and financial statements of 2016 be and hereby were accepted as submitted.

**ITEM 2**: **Ratification of the proposal for distribution of 2016 profits**

Proposal: Submission (by the BOD) of the proposal for 2016 earnings distribution for ratification.

Details:

1. The undistributed surplus at the beginning of the 2016 is NT$11,235,680,958, after deducting remeasurements of the defined benefit liability of NT$144,903,093 and decrease in unappropriated earnings resulting from equity-accounted investees of NT$1,738,675 and changes in ownership interest of subsidiaries of NT$3,018,187, then adding up share-based payment transaction of NT$2,035,623 and the net income after tax for 2016 is NT$2,961,100,586 and deducting the legal reverse of NT$296,110,059, therefore the total amount eligible for distribution earnings is NT$13,753,047,153. The dividends and bonus proposed to be allocated to the shareholders amount to NT$3,802,711,267, including

NT$760,542,260 in stock dividend (NT$0.3 per share at par value) and NT$3,042,169,007 in cash dividend (NT$1.2 per share).

2. After the adoption of the resolution at the Shareholders' Meeting, the power with respect to setting the ex-rights and ex-dividend date and other relevant matters is reserved for the Board of Directors.

3. With respect to the dividends and bonus to shareholders as earnings, the calculation of the shareholder's deductible tax amount proportion shall be made separately.

4. In the event that, before the ex-rights and ex-dividend date, the proposed earnings distribution plan is affected due to the revisions to relevant laws or regulations, or upon the request of the competent authorities, or the change to the Company's common shares (i.e. repurchasing the Company's shares for transfer or cancellation, issuance of new shares to its employees as a result of their exercise of stock options, unsecured convertible bonds converting into common shares, capital increase by cash, capital increase by issuance of GDR, cancellation of part of Employee Restricted Stock Awards and capitalization of employees' compensation through issuance of new shares etc.), which results in changes in shareholder's allotment of shares or dividend-payout ratio, the Board of Directors is to be authorized to make necessary adjustments at its full discretion.

5. Please refer to Attachment 3 for the Profit Appropriation Statement for 2016.

6. Submission for ratification.

Resolution:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,343,516,862 (including 1,198,213,654 votes through e-voting) | 77.10 | 341,351 (including 341,351 votes through e-voting) | 0.02 | 0 | 0 | 398,799,438 (including 395,985,622 votes through e-voting) | 22.88 |

RESOLVED, that the above proposal be and hereby was approved as proposed.

**ITEM 3: Discussion of the capitalization of part of 2016 profits through issuance of new shares**

Proposal: Submission (by the BOD) for discussion of a resolution that the Company issues new shares through capitalization of the 2016 earnings.

Details:

1. For the future development of business, the Company is proposing to set aside shareholder’s dividends and bonus of NT$760,542,260 from distributable earnings in 2016 to increase the capital by issuing 76,054,226 shares.

2. Upon the approval for the aforesaid proposal from the competent authority, shareholders’ dividends and bonus of NT$760,542,260, each shareholder will be entitled to receive 30 surplus earning shares per 1,000 shares (tentative calculation) held by such shareholder based on the name and shares registered in the shareholder roster on the ex-rights date. Shareholders are advised to consolidate their fractional shares of less than one share to make up one share by their own means for registration within five days as of the ex-rights date; otherwise the fractional shares shall be paid in cash (rounding down to the nearest NT dollar) by the par value and purchased by persons designated by the Chairman as authorized.

3. The new issuing shares from the capital increase possess identical obligations and rights as the original shares.

4. After the adoption of the Shareholders’ Meeting, the BOD is authorized to carry out the matter regarding the setting of the ex-rights date for new shares from capital increase.

5. In the event that, before the ex-rights date, the capitalization proposal is affected due to the revisions to relevant laws or regulations, or upon the request of the competent authorities, or the change to the Company’s common shares (i.e. repurchasing the Company’s stock shares for transfer or cancellation, issuance of new shares to its employees as a result of their exercise of stock options, unsecured convertible bonds converting into common shares, capital increase by cash, capital increase by issuance of GDR, cancellation of part of Employee Restricted Stock Awards and capitalization of employees’ compensation through issuance of new shares etc.), which results in changes in shareholder’s allotment of shares, the Board of Directors is to be authorized to make necessary adjustments at its full discretion.

6. Please discuss.

Resolution:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,343,178,237 (including 1,197,875,029 votes through e-voting) | 77.08 | 635,481 (including 635,481 votes through e-voting) | 0.03 | 0 | 0 | 398,843,933 (including 396,030,117 votes through e-voting) | 22.89 |

RESOLVED, that the above proposal be and hereby was approved as proposed.

**ITEM 4**: **Discussion of issuance of new common shares for cash to sponsor issuance of GDR and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of new common shares for cash to sponsor issuance of GDR in private placement.**

Proposal: Submission (by the BOD) of a proposal to approve the issuance of new common shares to sponsor issuance of GDR, issuance of new common shares in public offering, issuance of new common shares in private placement and issuance of new common shares to sponsor issuance of GDR in private placement up to 260 million common shares for capital increase in order to purchase overseas materials, or increase working capital, or repay bank loans or other needs for its future development and competitiveness enhancement.

Details:

1. Fund raising purpose and size:

   For the purpose of fulfilling the funding needs of the Company to purchase overseas materials, or increase working capital, or repay bank loans or other needs for its future development and competitiveness enhancement, it is proposed to authorize the Board of Directors to issue up to 260 million common shares, depending on the market conditions and the Company's need, to choose appropriate timing and fund raising methods in accordance with the applicable laws and regulations, according to the following fund raising method and handling principles.

2. Fund raising methods and handling principles:

   (1)Issuance of new common shares for cash to sponsor issuance of GDR

   A. In accordance with the existing provisions of the "Disciplinary Rules for Securities Underwriters Assisting Issuing Company in the Offering and Issuance of Securities issued by the Taiwan Securities Association," the issue price of the new common shares for cash capital increase for the issuance of GDR may not be lower than the closing price of the Company's common shares on the Taiwan Stock Exchange or 90% of average closing price of the common shares of the Company in one, three, or five business days prior to the pricing date after adjustment for any distribution of stock and cash dividends or capital reduction. In case of any changes to the relevant domestic laws, the pricing method shall be adjusted accordingly. In view of the severe short-term fluctuations in domestic market price, it is proposed to authorize the Chair to determine the final issue price, within the scope of the said requirement under the Disciplinary Rules, after negotiation with the lead underwriter depending on international capital markets, domestic market price and the overall book building situations, to improve the subscription of international investors, so the pricing method should be reasonable.

B. Upon the limit of 260 million common shares for the issuance of GDR through the issuance of new common shares by capital increase, the original shareholders' equity will be diluted by a maximum of 9.81%. The implementation of the fundraising plan will enhance the Company's competitiveness and benefit the shareholders; the determination of the issue price of the GDRs will be based on the fair trading price of common shares formed in the domestic market. Existing shareholders may still be able to purchase common stock in domestic stock market at the price closing to the issue price of GDR without bearing the exchange risks and liquidity risks, and may take into account their interests.

C. Except for 10% to 15% of new common shares shall be allocated for the employees' subscription in accordance with applicable law, it is proposed for the shareholders meeting to approve that the rights to the remaining 85% to 90% of the issuance shall be waived by the shareholders and should be offered to the public under Article 28-1 of Securities and Exchange Act as the underlying shares of GDR to be sold. It is proposed to authorize the Chairman, depending on the market needs, to allot the new common shares not subscribed by employees of the Company as underlying shares of GDR.

(2)Issuance of new common shares for cash in public offering

It is proposed to authorize the Board of Directors to issue up to 260 million common shares and the par value of the new common shares to be issued per share is NT$10. It is also proposed to authorize the Board of Directors to choose either of the following methods to sell the new shares in the public offering through the underwriter(s):

A. By book-building

a. Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph 1 of the Company Act, the remaining 85% to 90% of the shares will be proposed to the shareholders meeting to approve that the pre-emptive rights to subscribe to the remaining shares to be waived by the shareholders in accordance with Article 28-1 of the Securities and Exchange Act and such remaining shares will be offered to the public via book building and will comply with "Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms". It is proposed that any new common shares not subscribed by employees of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.
b. According to the "Self-Disciplinary Rules for Securities Underwriters Assistant Issuing Company to Subscribe and Issue Marketable Securities", the issuing price of new common shares should not be lower than 90% of the simple arithmetic mean of the

share's closing price one, three, or five business days prior to the pricing date after adjustment for any distribution of stock and cash dividends or capital reduction. The Board of Directors authorizes the Chairman to determine the final issue price with the underwriter(s) based on the overall book building situation and market conditions.

B. By public subscription

a. Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph 1 of the Company Act, it is proposed that 10% of the new shares will be sold to the public through the underwriter(s) and the remaining 75% to 80% of the shares will be subscribed to by the existing shareholders of the Company in accordance with their shareholding. It is proposed that any new common shares not subscribed by employees and existing shareholders of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

b. According to the "Self-Disciplinary Rules for Securities Underwriters Assistant Issuing Company to Subscribe and Issue Marketable Securities", the issuing price of new common shares should not be lower than 70% of the simple arithmetic mean of the share's closing price one, three, or five business days prior to the pricing date after adjustment for any distribution of stock and cash dividends or capital reduction. The Board of Directors authorized Chairman to determine the final issue price with the underwriter(s) based on relevant laws, regulations and market conditions.

(3)Issuance of new common shares for cash in private placement and/or issuance of new common shares for cash to sponsor issuance of GDR in private placement

A. The basis and rationale to determine the price of private placement:

a. The common stock price per share shall be set by no less than 80% of the reference price. The reference price is set as the higher of the following two basis prices:

(i) The simple average closing price of the common shares of the Company for either the one, three, or five business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

(ii) The simple average closing price of the common shares of the Company for the thirty business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

b. The pricing date, actual reference price, theoretical price, and actual issuance price are proposed to be authorized to the Board of Directors to determine within the range approved by the shareholders meeting, after taking into consideration the market status, objective conditions, and qualification of specific parties. Considering that the Securities and Exchange Act has set the restrictions on transfers of the privately placed securities for three full years, the price determination above shall be reasonable.

B. The method to determine specific parties:

The strategic investors have the priority to be considered as specific parties for private placement if they may being qualified for the rules in Article 43-6, Securities and Exchange Act and other letters from government authorities and should also have direct or indirect benefit to the Company, and can recognize the Company's operating strategy.

The company currently has not arranged the specific parties. It is proposed to authorize the Company's Board of Directors to determine the specific parties for private placement.

C. The necessity of private placement:

   a. The Company plans to invite strategic investors and strengthen competitiveness through private placement. Because of the restrictions on transfers for three full years, it is better to maintain a long-term relationship with strategic partners by such security issuance of private placement. And also considering the effectiveness and feasibility to raise capital, the Company proposes to raise capital through private placement, rather than public offering.
   b. The amount of the private placement: up to 260 million common shares
   c. The use of proceeds and projected benefits of private placement: The Company plans to do private placement at one time or several times (no more than 3 times) based on market conditions and specific parties. The capital raised will be used to purchase overseas materials, or increase working capital, or repay bank borrowings or other needs for its future development. The private placement will expand the scale of operations and invite strategic investors and will strengthen our competitiveness, upgrade operating efficiency, and reinforce financial structure, which can benefit shareholders' equity.

3. Use of proceeds, schedule and projected benefit:
   The Company plans to use the fund raising from capital increase to purchase overseas materials, or increase working capital, or repay bank borrowings or other needs for its future development. The fund raising plan will strengthen our competitiveness, upgrade operating efficiency, and reinforce financial structure, which can benefit shareholders' equity.

4. It is proposed to authorize the Board of Directors to determine, proceed or revise the issuance plan of new common shares to be issued to sponsor the GDR and the new common shares to be issued in public offering, new common shares in private placement and new common shares to sponsor issuance of GDR in private placement, including issue price, shares, terms and conditions, plan items, amount, record date, projected progresses and benefits, and any other item related to the issuance plan, based on market conditions. It is also proposed to authorize Board of Directors to revise the issuance plan based on operation evaluation, environment changes or if receiving instructions from governmental authorities.

5. The new common shares to be issued to sponsor issuance of GDR, the new common shares to be issued in public offering, the new common shares in private placement and the new common shares to sponsor issuance of GDR in private placement will be issued in scripless form. Except that the new common shares in private placement and the new common shares to sponsor issuance of GDR are subject to the selling restrictions within three years after the delivery date under Article 43-8 of the Securities and Exchange Act, the new common shares to be issued to sponsor the GDR and the new common shares to be issued in public offering, new common shares in private placement and new common shares to sponsor issuance of GDR in private placement will have the same rights and obligations as the Company's existing issued and outstanding common shares.

6. It is proposed to authorize the Chairman or the Chairman's designee, on behalf of the Company, to handle all matters relating to, and sign all agreements and documents in

connection with, issuance of new common shares to sponsor issuance of GDR and/or issuance of new common shares in public offering and/or issuance of new common shares in private placement and/or issuance of new common shares to sponsor issuance of GDR in private placement.

7. The Board is authorized to handle all matters which are not addressed herein in accordance with the applicable laws and regulations.

8. Please discuss.

Resolution:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,209,759,335 (including 1,064,456,127 votes through e-voting) | 69.42 | 130,881,455 (including 130,881,455 votes through e-voting) | 7.51 | 0 | 0 | 402,016,861 (including 399,203,045 votes through e-voting) | 23.07 |

RESOLVED, that the above proposal be and hereby was approved as proposed.

**ITEM 5**: **Discussion of amendments to the "Articles of Incorporation"**

Proposal: Submission (by the BOD) of a proposal to amend certain parts of the Company's "Articles of Incorporation."

Details:

1. In order to comply with the operational needs of the Company, it is proposed to make amendments to the "Articles of Incorporation." Please see below for a comparison table of the original provisions and amendments.

2. Please discuss.

**Comparison between Original and Amendments to "Articles of Incorporation"**

| Items | Original Version | Amendment Version | Reason |
|---|---|---|---|
| Article 2 | The business items of the Company are set out as follows:<br>……<br>(11)R&D, development, design, production, manufacture, testing and sale of In-Vitro | The business items of the Company are set out as follows:<br>……<br>(11)R&D, development, design, production, manufacture, testing and sale of In-Vitro | To comply with the Company's operational needs. |

| Items | Original Version | Amendment Version | Reason |
|---|---|---|---|
| | testing equipment / system / modules / platform, physiological signal detection medical materials and medical information transmission system products, semi-finished products and their peripherals or components.<br>…… | testing equipment / system / modules / platform, <u>Treatment Appliance and Equipment, Smart Assistive Devices, General Diagnostic X-ray Imaging Device,</u> physiological signal detection medical materials and medical information transmission system products, semi-finished products and their peripherals or components.<br>…… | |
| Article 19 | ……<br>The 19th amendment was made on June 15, 2016. | ……<br>The 19th amendment was made on June 15, 2016.<br><u>The 20th amendment was made on June 14, 2017.</u> | Correspondence to the amendment date. |

<u>Resolution</u>:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,343,539,250 (including 1,198,236,042 votes through e-voting) | 77.10 | 257,390 (including 257,390 votes through e-voting) | 0.01 | 0 | 0 | 398,861,011 (including 396,047,195 votes through e-voting) | 22.89 |

RESOLVED, that the above proposal be and hereby was approved as proposed.

**ITEM 6**: **Discussion of amendments to the "Articles of Incorporation"**

<u>Proposal</u>: Submission (by the BOD) of a proposal to amend certain parts of the Company's "Procedures of Asset Acquisition and Disposal".

<u>Details</u>:

1. In order to comply with government rules and regulations, it is proposed to make amendments to the "Procedures of Assets Acquisition and Disposal".

2. Please discuss.

Resolution:

Voting results: Shares present at the time of voting: 1,742,657,651

| Approval votes | % | Disapproval votes | % | Invalid votes | % | Abstention votes/ no votes | % |
|---|---|---|---|---|---|---|---|
| 1,343,427,196 (including 1,198,123,988 votes through e-voting) | 77.09 | 392,118 (including 392,118 votes through e-voting) | 0.02 | 0 | 0 | 398,838,337 (including 396,024,521 votes through e-voting) | 22.89 |

RESOLVED, that the above proposal be and hereby was approved as proposed.

**III. Extemporary Motion: None.**

**IV. Meeting Adjourned: 10:06 a.m., June 14, 2017.**

**Attachment 1**

# Wistron Corporation
# Business Report

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.

Chairman: Simon Lin President: Robert Hwang Controller: Stone Shih

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# Independent Auditors' Report

To the Board of Directors of Wistron Corporation :

**Opinion**

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

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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.

KPMG

**How the matter was addressed in our audit**

Our principal audit procedures included: testing the Company'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 Company's review on claims and credits. In addition, we considered the accuracy of the accrual calculation, collaborated inputs, key assumptions, and the 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 realizable value. 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 judgments 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.

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

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 parent-company-only 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 parent-company-only 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 Company'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 Company'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 parent-company-only 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 Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only 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 financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

**WISTRON CORPORATION**

**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)) | $ 38,416,842 | 12 | 23,837,373 | 8 |
| 1110 | Financial assets at fair value through profit or loss-current (note 6(b)) | 258,922 | - | 990,995 | - |
| 1170 | Notes and accounts receivable, net (note 6(c)) | 52,503,564 | 16 | 54,863,431 | 19 |
| 1180 | Accounts receivable-related parties (notes 6(c) and 7) | 127,528,856 | 40 | 101,172,088 | 36 |
| 1210 | Other receivables-related parties (notes 6(c) and 7) | 3,927,186 | 1 | 4,810,160 | 2 |
| 1220 | Current tax assets | 935,840 | - | 954,313 | - |
| 130X | Inventories (note 6(d)) | 10,764,758 | 3 | 9,101,382 | 3 |
| 1470 | Other current assets (notes 6(c)(i)) | 5,899,271 | 2 | 4,038,181 | 2 |
| | **Total current assets** | 240,235,239 | 74 | 199,767,923 | 70 |
| | **Non-current assets:** | | | | |
| 1523 | Available-for-sale financial assets-non-current (note 6(b)) | 2,380,136 | 1 | 2,507,556 | 1 |
| 1543 | Financial assets carried at cost-non-current (note 6(b)) | 1,293,845 | - | 1,089,033 | - |
| 1550 | Equity-accounted investees (notes 6(e)(f)) | 70,012,625 | 22 | 71,895,299 | 25 |
| 1600 | Property, plant and equipment (notes 6(g) and 7) | 5,528,953 | 2 | 5,769,852 | 2 |
| 1780 | Intangible assets (note 6(h)) | 1,058,875 | - | 1,220,953 | 1 |
| 1840 | Deferred tax assets (note 6(n)) | 2,512,012 | 1 | 2,606,309 | 1 |
| 1990 | Other non-current assets (notes 6(i) and 8) | 416,468 | - | 921,089 | - |
| | **Total non-current assets** | 83,202,914 | 26 | 86,010,091 | 30 |
| | **Total assets** | $ 323,438,153 | 100 | 285,778,014 | 100 |

| | Liabilities and Equity | December 31, 2016 Amount | % | December 31, 2015 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term loans (note 6(j)) | $ 16,256,177 | 5 | 42,040,489 | 15 |
| 2120 | Financial liabilities at fair value through profit or loss-current (note 6(b)) | 23,715 | - | 177,485 | - |
| 2170 | Notes and accounts payable | 50,384,998 | 15 | 40,199,208 | 14 |
| 2180 | Accounts payable-related parties (note 7) | 151,568,661 | 47 | 97,278,751 | 34 |
| 2220 | Other payables-related parties (note 7) | 1,855,336 | 1 | 3,549,172 | 1 |
| 2250 | Provisions (note 6(k)) | 2,090,668 | 1 | 2,015,999 | 1 |
| 2322 | Current portion of long-term loans (note 6(j)) | 1,441,160 | - | 150,000 | - |
| 2399 | Other current liabilities (note 6(k)) | 15,375,217 | 5 | 10,649,007 | 4 |
| | **Total current liabilities** | 238,995,932 | 74 | 196,060,111 | 69 |
| | **Non-Current liabilities:** | | | | |
| 2540 | Long-term loans (note 6(j)) | 11,567,720 | 3 | 14,068,205 | 4 |
| 2570 | Deferred tax liabilities (note 6(n)) | 3,724,397 | 1 | 4,782,951 | 2 |
| 2600 | Other non-current liabilities (note 6(m)) | 1,905,054 | 1 | 2,151,241 | 1 |
| | **Total non-current liabilities** | 17,197,171 | 5 | 21,002,397 | 7 |
| | **Total liabilities** | 256,193,103 | 79 | 217,062,508 | 76 |
| | **Equity (notes 6(n)(o)(p)) :** | | | | |
| 3110 | Capital stock | 26,503,165 | 8 | 25,554,824 | 9 |
| 3200 | Capital surplus | 21,353,585 | 7 | 20,707,328 | 7 |
| 3300 | Retained earnings | 21,344,172 | 7 | 22,162,377 | 8 |
| 3400 | Other equity | 636,406 | - | 3,012,160 | 1 |
| 3500 | Treasury stock | (2,592,278) | (1) | (2,721,183) | (1) |
| | **Total equity** | 67,245,050 | 21 | 68,715,506 | 24 |
| | **Total liabilities and equity** | $ 323,438,153 | 100 | 285,778,014 | 100 |

See accompanying notes to financial statements.

## WISTRON CORPORATION

### 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(r) and 7)** | $ 613,214,569 | 100 | 585,799,180 | 100 |
| 5000 | **Cost of sales (notes 6(d)(g)(h)(k)(l)(m)(o)(p)(s), 7 and 12)** | 589,217,765 | 96 | 564,951,067 | 96 |
| 5900 | Gross profit | 23,996,804 | 4 | 20,848,113 | 4 |
| 5910 | Realized (unrealized) inter-company profits | 220,777 | - | (212,233) | - |
| 5950 | Less: Realized gross profit | 24,217,581 | 4 | 20,635,880 | 4 |
| | **Operating expenses (notes 6(c)(g)(h)(l)(m)(o)(p)(s), 7 and 12):** | | | | |
| 6100 | Selling | 3,659,548 | 1 | 4,617,196 | 1 |
| 6200 | Administrative | 2,213,758 | - | 2,161,200 | 1 |
| 6300 | Research and development | 11,999,847 | 2 | 12,053,692 | 2 |
| | **Total operating expenses** | 17,873,153 | 3 | 18,832,088 | 4 |
| | **Operating income** | 6,344,428 | 1 | 1,803,792 | - |
| | **Non-operating income and expenses:** | | | | |
| 7010 | Other income (notes 6(r) and 7) | 264,103 | - | 246,632 | - |
| 7020 | Other gains and losses (note 6(r)) | (195,318) | - | 708,264 | - |
| 7050 | Finance costs (note 6(r)) | (1,123,119) | - | (1,168,720) | - |
| 7070 | Recognized share of subsidiaries, associates and joint ventures accounted for equity method (note 6(e)) | (1,843,632) | (1) | 370,769 | - |
| | **Total non-operating income and expenses** | (2,897,966) | (1) | 156,945 | - |
| 7900 | **Profit before tax** | 3,446,462 | - | 1,960,737 | - |
| 7950 | **Less: income tax expenses (note 6(n))** | 485,361 | - | 626,643 | - |
| 8200 | **Net profit** | 2,961,101 | - | 1,334,094 | - |
| | **Other comprehensive income (note 6(m)(n)(o)):** | | | | |
| 8310 | **Components of other comprehensive income that will not be reclassified to profit or loss:** | | | | |
| 8311 | Remeasurements of the defined benefit liability | (171,708) | - | (103,890) | - |
| 8330 | Share of other comprehensive income of subsidiaries, associates and joint ventures | (2,385) | - | (13,901) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | (29,190) | - | (17,661) | - |
| | | (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 statemetns | (1,585,768) | - | 2,615,293 | - |
| 8362 | Unrealized gains (losses) on valuation of available-for-sale financial assets | (32,278) | - | 423,767 | - |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures | (679,993) | - | (356,118) | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | (13,617) | - | (17,014) | - |
| | | (2,284,422) | - | 2,699,956 | - |
| 8500 | **Other comprehensive income, net of tax** | (2,429,325) | - | 2,599,826 | - |
| | **Total comprehensive income** | $ **531,776** | - | **3,933,920** | |
| | **Earnings per share (in dollars), after tax (note 6(q)):** | | | | |
| 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

## Statements of Changes in Equity

## For the years ended December 31, 2016 and 2015

## (expressed in thousands of New Taiwan dollars)

| | Capital stock | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated retained earnings | Retained earnings: Total retained earnings | Other equity interest: Exchange differences on translation of foreign financial statements | Other equity interest: Unrealized gains (losses) on available-for-sale financial assets | Other equity interest: Other unearned compensation for restricted employee shares of stock | Other equity interest: Total other equity interest | Treasury stock | 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 |
| Net profit | - | - | - | - | 1,334,094 | 1,334,094 | - | - | - | - | - | 1,334,094 |
| Other comprehensive income | - | - | - | - | (100,130) | (100,130) | 2,261,178 | 438,778 | - | 2,699,956 | - | 2,599,826 |
| Total comprehensive income | - | - | - | - | 1,233,964 | 1,233,964 | 2,261,178 | 438,778 | - | 2,699,956 | - | 3,933,920 |
| Appropriation and distribution of retained 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) |
| Stock dividends | 740,480 | - | - | - | (740,480) | (740,480) | - | - | - | - | - | - |
| New share issue through employee bonuses | 330,680 | 361,102 | - | - | - | - | - | - | - | - | - | 691,782 |
| Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees | - | 36,483 | - | - | (3,684) | (3,684) | - | - | - | - | - | 32,799 |
| Repurchase of treasury stock | - | - | - | - | - | - | - | - | - | - | (2,721,183) | (2,721,183) |
| Treasury stock transferred to employees | - | 25,001 | - | - | - | - | - | - | - | - | - | 25,001 |
| Changes in ownership interests of subsidiaries | - | 13,152 | - | - | (16,837) | (16,837) | - | - | - | - | - | (3,685) |
| Share-based payments transactions | (199,010) | (170,395) | - | - | - | - | - | - | 288,524 | 288,524 | - | (80,881) |
| **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 |
| Net profit | - | - | - | - | 2,961,101 | 2,961,101 | - | - | - | - | - | 2,961,101 |
| Other comprehensive income | - | - | - | - | (144,903) | (144,903) | (2,241,318) | (43,104) | - | (2,284,422) | - | (2,429,325) |
| Total comprehensive income | - | - | - | - | 2,816,198 | 2,816,198 | (2,241,318) | (43,104) | - | (2,284,422) | - | 531,776 |
| Appropriation and distribution of retained 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) |
| Stock dividends | 726,336 | - | - | - | (726,336) | (726,336) | - | - | - | - | - | - |
| New share issue through employee bonuses | 240,202 | 255,813 | - | - | - | - | - | - | - | - | - | 496,015 |
| Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees | - | 103,833 | - | - | (1,739) | (1,739) | - | - | - | - | - | 102,094 |
| Repurchase of treasury stock | - | - | - | - | - | - | - | - | - | - | (533,236) | (533,236) |
| Treasury stock transferred to employees | - | 7,503 | - | - | - | - | - | - | - | - | 662,141 | 669,644 |
| Changes in ownership interests of subsidiaries | - | (596) | - | - | (3,019) | (3,019) | - | - | - | - | - | (3,615) |
| Share-based payments | (18,197) | 279,704 | - | - | 2,035 | 2,035 | - | - | (91,332) | (91,332) | - | 172,210 |
| **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 |

Note: The appropriations for 2016 and 2015, directors' emoluments of $40,619 and $24,565, employee's compensation were$615,440 and $496,015, respectively, were recognized and accrued in the 2016 and 2015 earnings.

See accompanying notes to financial statements.

**WISTRON CORPORATION**

**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** | $ 3,446,462 | 1,960,737 |
| **Adjustments:** | | |
| **Adjustments to reconcile profit:** | | |
| Depreciation expense | 1,627,693 | 1,879,383 |
| Amortization expense | 350,495 | 357,827 |
| Net loss (profit) on financial assets or liabilities at fair value through profit or loss | 578,303 | (548,834) |
| Interest expense | 1,123,119 | 1,168,720 |
| Interest income | (113,057) | (78,403) |
| Dividend income | (106,123) | (124,806) |
| Compensation cost arising from shares based payments | 170,582 | (80,881) |
| Recognized share associates and joint ventures accounted for equity method | 1,843,632 | (370,769) |
| Gain on disposal of property, plant and equipment, net | (22,811) | (5,816) |
| Property, plant and equipment reclassified as expenses | 206 | 16 |
| Gain on disposal of intangible assets | (12,191) | (60,562) |
| Loss on disposal of investments | 35,038 | 1,156 |
| Loss on repurchase of convertible bonds | - | 6,827 |
| Exchange difference of bounds payable | - | (5,134) |
| Unrealized (realized) sales profits | (220,777) | 212,233 |
| Impairment loss on assets | 223,530 | 45,459 |
| Other investments loss | 35,653 | 385,156 |
| | 5,513,292 | 2,781,572 |
| **Changes in operating assets and liabilities:** | | |
| Changes in operating assets: | | |
| Decrease (increase) in notes and accounts receivable | 2,359,867 | (7,391,119) |
| Increase in accounts receivable-related parties | (26,356,768) | (15,307,086) |
| Decrease in other receivable-related parties | 215,781 | 130,408 |
| Decrease (increase) in inventories | (1,663,376) | 2,031,806 |
| Increase in other assets-current | (1,855,878) | (397,597) |
| **Total changes in operating assets** | (27,300,374) | (20,933,588) |
| Changes in operating liabilities: | | |
| Increase (decrease) in notes and accounts payable | 10,185,790 | (4,554,762) |
| Increase in accounts payable to related parties | 54,289,910 | 54,953,339 |
| Increase (decrease) in other payable to related parties | (1,693,836) | 436,457 |
| Increase in provisions | 74,669 | 283,607 |
| Increase in other current liabilities | 5,384,131 | 2,529,831 |
| Increase (decrease) in other non-current liabilities | (231,395) | 343,908 |
| **Total changes in operating liabilities** | 68,009,269 | 53,992,380 |
| Net changes in operating assets and liabilities | 40,708,895 | 33,058,792 |
| **Total changes in operating assets and liabilities** | 46,222,187 | 35,840,364 |
| **Cash generated from operating activities** | 49,668,649 | 37,801,101 |
| Interest received | 107,847 | 78,453 |
| Dividends received | 471,718 | 378,838 |
| Interest paid | (1,126,275) | (1,179,035) |
| Income taxes paid | (1,550,295) | (1,750,272) |
| **Net cash generated from operating activities** | 47,571,644 | 35,329,085 |
| **Cash flows used in investing activities:** | | |
| Decrease in other receivables-related parties | 667,192 | 47,959 |
| Increase in available-for-sale financial assets | (485,534) | (226,633) |
| Proceeds from disposal of available-for-sale financial assets | 385,021 | 171,628 |
| Increase in financial assets at cost-non-current | (302,571) | (375,319) |
| Proceeds from disposal of financial assets at cost-non-current | - | 22,532 |
| Proceeds from return of financial assets at cost | 52,615 | 57,161 |
| Increase in equity-accounted investees | (2,925,132) | (975,680) |
| Proceeds from disposal of equity-accounted investees | 266,619 | - |
| Proceeds from capital reduction of equity-accounted investees | 332,855 | - |
| Increase in property, plant and equipment | (531,748) | (600,203) |
| Proceeds from disposal of property, plant and equipment | 31,611 | 158,589 |
| Increase in intangible assets | (188,417) | (317,193) |
| Proceeds from disposal of intangible assets | 12,191 | 152,815 |
| Increase in other assets-non-current | (359,431) | (1,058,920) |
| **Net cash flows used in investing activities** | (3,044,729) | (2,943,264) |
| **Cash flows used in financing activities:** | | |
| Increase of short-term borrowings | 455,949,184 | 374,197,900 |
| Repayment on of short-term borrowings | (481,733,496) | (376,868,273) |
| Repurchase of convertible bounds | - | (605,030) |
| Increase in long-term borrowings | 6,348,022 | 22,554,167 |
| Repayments on long-term borrowings | (7,557,347) | (28,749,262) |
| Decrease in deposits received | (186,501) | (309,509) |
| Cash dividends to shareholders | (2,903,716) | (2,961,921) |
| Repurchase of treasury stock | (533,236) | (2,721,183) |
| Treasury stock transferred to employees | 669,644 | 25,001 |
| **Net cash flows used in financing activities** | (29,947,446) | (15,438,110) |
| **Net increase in cash and cash equivalents** | 14,579,469 | 16,947,711 |
| **Cash and cash equivalents at beginning of year** | 23,837,373 | 6,889,662 |
| **Cash and cash equivalents at end of year** | $ **38,416,842** | **23,837,373** |

See accompanying notes to financial statements.

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# 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.

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**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.

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**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.

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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.

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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.

## 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.

**Attachment 2**

## 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

March 20, 2017

**Attachment 3**

## Wistron Corporation

## Profit Appropriation Statement for 2016

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** |

Note1: Stock dividend: NT$0.3 per share.

Note2: Cash dividend: NT$1.2 per share, and the cash dividend is rounded down to the nearest NT dollars; the amount rounded off will be credited to other income of Wistron.

Chairman: Simon Lin    President: Robert Hwang    Controller: Stone Shih