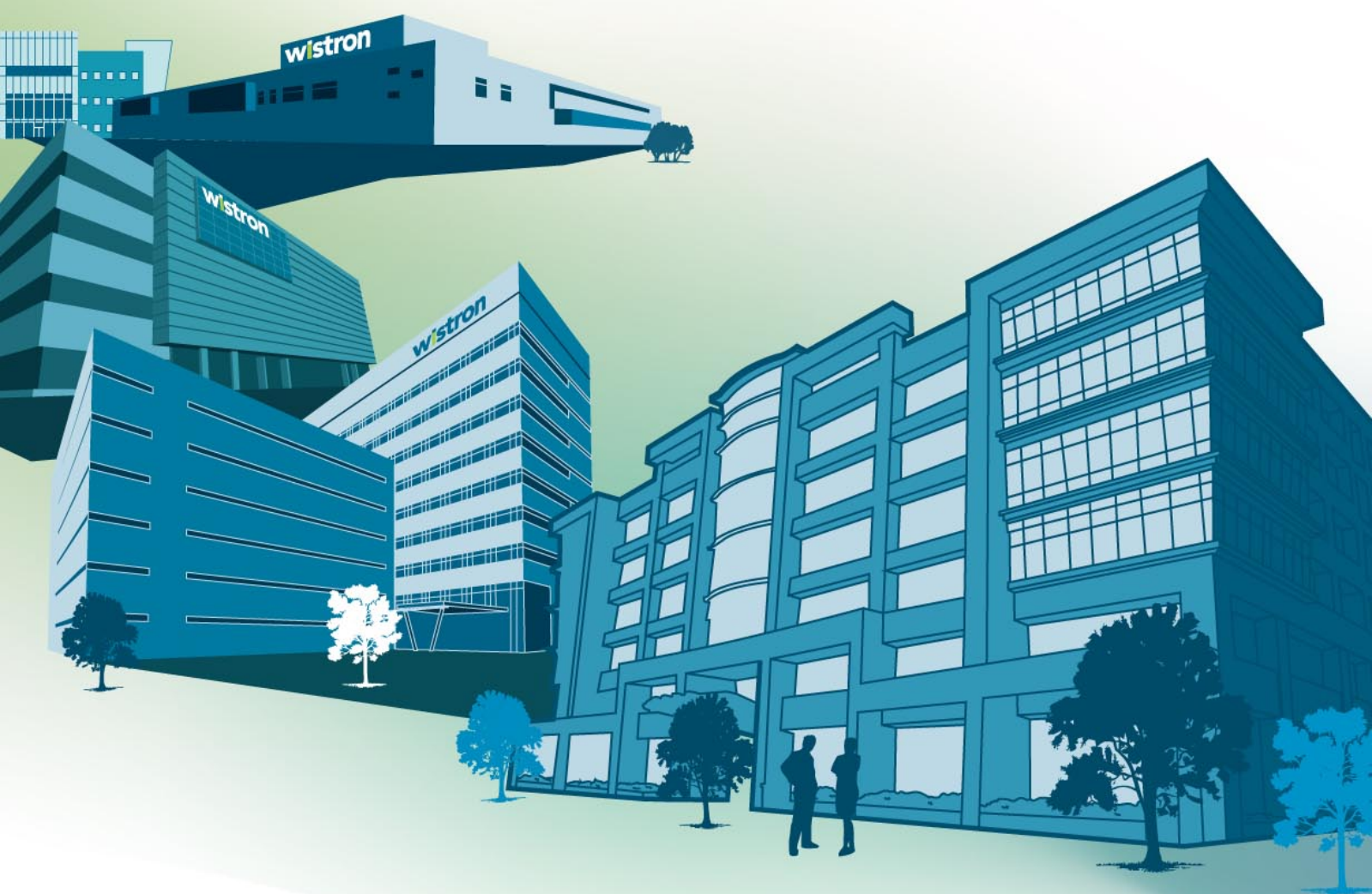


# Wistron Corporation 2018 Annual Report

Taiwan Stock Exchange Market Observation Post System: <http://emops.twse.com.tw>  
Wistron annual report is available at <http://www.wistron.com>

Published Date April 30 , 2019



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<http://www.LondonStockExchange.com>

## 6. For more information about Wistron: [www.wistron.com](http://www.wistron.com)

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# **1. Letter to Shareholders**

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Dear Shareholders,

With various issues including U.S.-China trade war, extreme weather, and cyber-attacks, 2018 was a year of changes and challenges which greatly influenced the company's operations. However, Wistron continued optimizing our customer and product portfolio, deepening our digital transformation to improve internal operational efficiency. The company also worked closely with supply chain partners, resulting in annual revenue growth slightly better than the previous year.

I would hereby like to report our 2018 business results, 2019 strategic business focus and outlook for Wistron's future directions as follows:

## **2018 Financial and Operation Results**

Wistron's consolidated revenue reached NT\$889.5 billion in 2018, an increase of 6.4% from the previous year, with a gross margin of 4.2% and consolidated operating profit was NT\$10.766 billion. The consolidated profit before tax was NT\$9.659 billion and profit attributable to Owners of the Company was NT\$4.908 billion. Meanwhile, the earnings per share was NT\$1.76.

In 2018, Wistron's key growth drivers were data center, internet phone, desktop, and components module businesses, while other product lines maintained the same level or a slight decline compared with the previous year.

While pursuing growth and financial performance, Wistron is also dedicated to improving corporate governance as a top priority, devoting efforts to corporate sustainability and fulfilling social responsibilities.

In addition to strengthening our internal control and auditing, we are committed to complying with environmental and energy regulations that are associated with our activities, products, and services, as well as customer requirements to reduce the impact of our operations on the environment.

Recently, with frequent reports of major information security incidents, we examined our own security protection systems, elevating our colleagues' awareness of information security and implementing related tests and practices. In addition, we actively strengthened self-protection systems and quick emergency response capabilities.

In the meanwhile, in response to the EU's General Data Protection Regulation officially launched in May 2018, we also invited external experts to conduct various assessments (organizations, systems, procedures, safety management measures, etc.). We prioritized the action items and invested resources for improvements.

## **2019 Business and Operation Focus**

The Company's organization is adjusted to enhance the efficiency and agility of operations, to accelerate digital transformation for continuously providing high-quality service and satisfaction to customers, and to promote and cultivate the talents within our organization. The new organization is (1) Wistron Technologies, (2) Wistron Smart Devices, and (3) Growth Incubator.

Wistron Technologies will focus on personal computers, display products, servers, internet phones, and after-sales services. In order to optimize core competitiveness, Wistron Technologies will aim to pursue profitable growth while continuously adjusting customer and product portfolios, improving operational efficiency, and increasing capacity utilization.

To expand into the innovative market segments of IoT and smart home, Wistron Smart Devices will focus on providing smart IoT devices, solution services, and CEM services, including vertical industrial handheld device, smart audio, smart phone, smart accessory, and display components.

For Growth Incubator, we expect to establish our intelligent solutions through building platforms and micro-services with big data application and artificial intelligence technology. Wistron Medical Technology Corporation will focus on medical device manufacturing, medical AI, and big data services. Wiedu Corporation provides school and business digital education and training services. Wiadvance Corporation provides enterprise cloud services and smart manufacturing services.

In addition, the primary goal of Wistron's digital transformation initiative is to establish high-performance teams and achieve healthy business growth of our businesses. We will continue to accelerate the digital operation improvement initiatives, including the enhancement of Industry 4.0 capabilities, further improving R&D efficiency and strengthening the competitiveness of smart manufacturing.

## **Outlook for the Future**

Looking ahead, the world is no doubt in a state of turmoil. Global economic growth may slow and will be uncertain, resulting from various geopolitical and trade disputes.

In addition to maintaining the core competitiveness of products and services, the company will reduce the impact of market uncertainties by adopting more flexible implementation of our business processes across our design, production and supply chain operations. In the meanwhile, to cope with trade wars with corresponding risk management, we will also enhance the distribution and balance of our global operation sites.

With the wave of intelligence gathering and utilization, enterprise management must move from digital to intelligent operation mode. As we are strengthening our company DNA, culture, and vision, we can improve in areas such as quality, efficiency, and costs so that the company has the ability to build more energy and undertake greater economic growth in the future.

While confronting global market changes, Wistron will continue to develop corporate sustainability with the philosophy of altruism and the corporate vision of being "the technology powerhouse for better life and environment."

Finally, I would like to thank all shareholders for your support and attention over the years. Incorporating the corporate culture and core values, the management team and all employees of the company will continue to create maximum value for shareholders based on the execution attitude of "Think Great and Act Smart."

Chairman





## **2. Wistron Corporation Introduction**

---

Wistron Corporation is a global leading technology service provider (TSP) supplying innovative ICT (information and communications technology) products, service solutions, and systems to top branded companies worldwide.

Our product and service lines include PCs, server and networking systems, enterprise storage solutions, professional display products, communication devices, after-sales services, and electronics scrap recycling, as well as cloud and display vertical integration solutions. With the development of cloud computing, Wistron combines hardware devices and cloud data systems through software services to provide technical service platforms and solutions to our customers. In addition, Wistron has been dedicated to building value chain in ICT industry and innovation platforms in the new era of education and enterprise services, IOT, and medical services.

From initial product conceptualization, volume manufacturing and after-sales repairing to end-of-life products recycling, Wistron supports customers with the products and related services reaching international standards for innovation and quality levels.

Wistron was founded on May 30, 2001. With 80,000 employees in various R&D, manufacturing, and after-sales service facilities in North America, Europe, and Asia, Wistron's revenue reached NTD\$889.5 billion in 2018.

Wistron was listed as a Fortune Global 500 company in 2011, 2012, and 2018. Since 2009, Forbes Magazine has included Wistron among the Global 2000 for ten consecutive years (2009-2018). Forbes Magazine also ranked Wistron in the Forbes Asia FAB 50 for Asia's best publicly listed companies during 2007, 2008, and 2009.

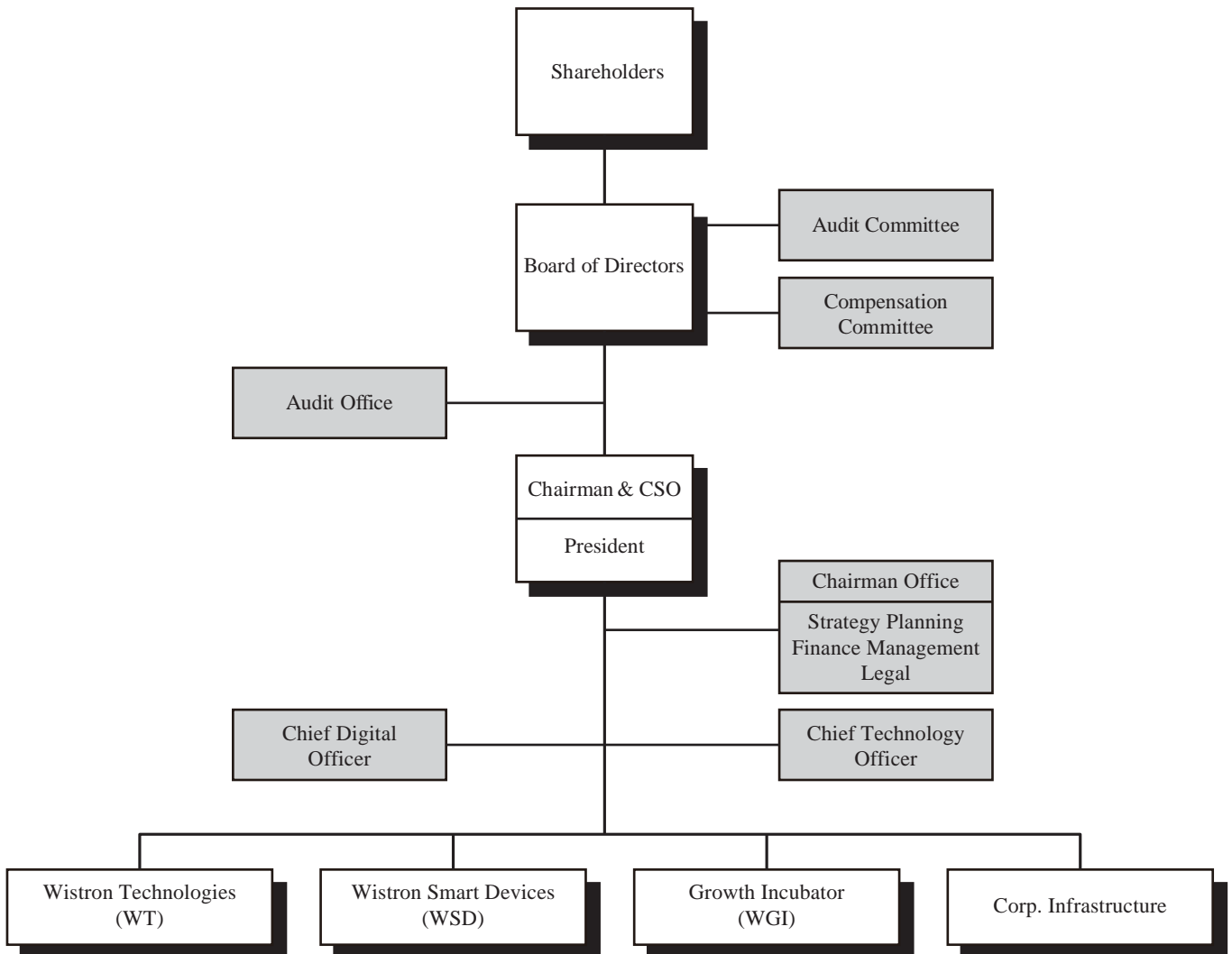
Wistron values corporate sustainability and social responsibility. The Commonwealth Magazine presented Wistron the "Excellence in Corporate Social Responsibility" awards for 9 consecutive years from 2010 to 2018. Wistron was also recognized among Top 25 in "Channel News Asia Sustainability Ranking" in 2014 and 2015. Wistron values its role in corporate sustainability and social responsibility.

# **3. Corporate Governance Report**

---

## 3.1 Organization

### 3.1.1 Organization Chart



### 3.1.2 Department functions

Department	Main responsibilities
Audit office	<ol style="list-style-type: none"> <li>1. Assist management to ensure the internal audit system is effectively designed and well implemented to improve the operation and to enhance the value of the organization.</li> <li>2. Assist managers to evaluate and improve the procedure of risk management, internal control, and corporate governance through systematic and effective procedures to achieve organization's goals.</li> <li>3. Assist the Audit Committee to supervise the implementation of internal control system and corporate governance.</li> </ol>
Chairman Office	Assists the Chairman & CSO to evaluate and analyze external investments and business performance for the Company and its subsidiaries to achieve corporate goals.
Strategy Planning	Responsible for the company's overall strategic planning, structuring, promotion and long-term development.
Finance Management	<ol style="list-style-type: none"> <li>1. Coordinate the company's fund collection and payment, financing scheduling and currency hedging to support operational needs.</li> <li>2. Responsible for operations of fund management.</li> <li>3. Coordinate and establish the financial operation system of our group.</li> <li>4. Financial control, accounting service, tax service, and providing reports to profit units.</li> </ol>
Legal	<ol style="list-style-type: none"> <li>1. Responsible for drafting and reviewing contracts, and providing legal advisory services for provision of related business.</li> <li>2. Manage the patent right, copyright, trademark, technology licensing and other intellectual property related business of our company.</li> </ol>
Chief Technology Officer	Responsible for the construction and management of the company's R&D team, resources and the environment, and enhancement of research efficiency and competitiveness.
Chief Digital Officer	Integrate digital technology and develop the strategy of digital transformation to accelerate the company's digital innovation.

Department	Main responsibilities
Wistron Technologies (WT)	<ol style="list-style-type: none"> <li>1. Responsible for R&amp;D, design and production of personal computer, industrial PC, display products, automobile electronics, servers, storage and communication products.</li> <li>2. Provide back-end technical consulting services, special after-sales service solutions to customer, and also responsible for improving customer satisfaction.</li> <li>3. Product manufacturing management, plant resource planning / capacity allocation, process capability analysis and manufacturing efficiency improvement.</li> <li>4. Material procurement, inventory, supplier resources and tooling management at each plant.</li> <li>5. Responsible for quality assurance and improvement, also establishment and maintenance of quality management systems and certification of products.</li> <li>6. Planning digital strategy of the institution and promoting digital transformation of the core business.</li> <li>7. Planning strategies of financial and human resources.</li> </ol>
Wistron Smart Devices (WSD)	<ol style="list-style-type: none"> <li>1. Responsible for the research and development, product management, manufacturing and marketing of IoT, mobile products, smart accessory products and optical component products.</li> <li>2. Product manufacturing management, plant resource planning / capacity allocation, process capability analysis and manufacturing efficiency improvement.</li> <li>3. Material procurement, inventory and supplier resources management at each plant.</li> <li>4. Planning digital strategy of the institution and promoting digital transformation of the core business.</li> <li>5. Planning strategies of financial and human resources.</li> </ol>
Growth Incubator (WGI)	<ol style="list-style-type: none"> <li>1. Provide K-12 customers cloud learning platform and smart campus solution through digital technologies.</li> <li>2. Provide enterprise cloud services and smart manufacturing services to customers.</li> <li>3. Responsible for design, development and production of professional medical equipment and smart medical solutions.</li> <li>4. Integration of technology and product development, providing a platform of prototype, production, and marketing services to startups customers.</li> </ol>

Department	Main responsibilities
Corp. Infrastructure	<ol style="list-style-type: none"><li data-bbox="501 282 1437 360">1. Integrated planning, development design and software technology of the product systematic application software.</li><li data-bbox="501 367 1437 448">2. Responsible for strategy, global framework development, design and management of information system.</li><li data-bbox="501 454 1437 533">3. Human resources, employee communication, training, general affairs and other related matters in the company.</li></ol>

## 3.2. Directors, Supervisors and Management Team

### 3.2.1 Directors (April 14, 2019)

Title	Nationality or registered	Name	Gender	Date of Election	Term	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Chairman & CSO	Republic of China	Simon Lin	Male	06/14/2018	3	05/23/2001	41,210,239	1.50	43,599,252	1.53
Director & President	Republic of China	Robert Hwang	Male	06/14/2018	3	06/08/2006	7,632,802	0.28	10,416,628	0.37
Director	Republic of China	Wistron NeWeb Corp.	-	06/14/2018	3	06/14/2018	27,974,570	1.02	28,796,209	1.01
	Republic of China	Representative: Haydn Hsieh (Note 1)	Male	06/14/2018	3	06/09/2005	-	-	1,122,911	0.04



	Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Shares	%	Shares	%			Title	Name	Relationship
	1,544	0	0	0	Bachelor	Chairman & CSO of Wistron Corp. Chairman of Wistron ITS Corp. Director of Gamania Digital Entertainment Co., Ltd. Independent Director of Taiwan IC Packaging Corp. Independent Director of Elan Microelectronics Corp. Chairman of Wiwynn Corp. Director of Wistron Medical Tech Holding Company Chairman of Wistron Digital Technology Holding Company	-	-	-
	179,005	0.01	0	0	Master	Director & President of Wistron Corp. Director of Global Lighting Technologies Inc. Chairman of WiEdu Corp. Chairman of Anextek Global Inc. Chairman of Wistron Medical Tech Corporation Chairman of Anwith Technology Corp. Chairman of Wistron Medical Tech Holding Company Overseas companies current positions summary(Note3)	-	-	-
	-	-	0	0	-	-	-	-	-
	13,271	0	0	0	Bachelor	Director of Wistron Corp. Chairman & CSO of Wistron NeWeb Corp. Director of aEnrich Technology Corp. Independent Director of Raydium Semiconductor Corp. Director of Apacer Technology Inc. Director of WNC Holding Corporation Director of ANC Holding Corporation Director of NeWeb Holding Corporation Director of WNC GmbH Director of Webcom Communication (Kunshan) Corporation Director of WNC (kunshan) Corporation Director of Wistron NeWeb (Kunshan) Corporation Director of NeWeb Service(KunShan) Corporation Director of NeWeb Communication (Kunshan) Corporation	-	-	-

Title	Nationality or registered	Name	Gender	Date of Election	Term	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Director	Republic of China	Philip Peng	Male	06/14/2018	3	06/14/2018	90,221	0	92,870	0
Independent Director	Republic of China	Jack Chen	Male	06/14/2018	3	06/14/2018	0	0	0	0
Independent Director	Republic of China	S. J. Paul Chien	Male	06/14/2018	3	06/14/2018	0	0	0	0
Independent Director	Republic of China	C.H. Chen	Male	06/14/2018	3	06/14/2018	0	0	0	0
Independent Director	Republic of China	Christopher Chang	Male	06/14/2018	3	06/14/2018	0	0	0	0
Independent Director	Republic of China	Sam Lee	Male	06/14/2018	3	06/14/2018	0	0	0	0
Director	Republic of China	Stan Shih (Note 2)	Male	06/26/2015	3	06/08/2006	-	-	-	-
Independent Director	Republic of China	John Hsuan (Note 2)	Male	06/26/2015	3	06/07/2002	-	-	-	-
Independent Director	Republic of China	Michael Tsai (Note 2)	Male	06/26/2015	3	06/07/2002	-	-	-	-

	Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Shares	%	Shares	%			Title	Name	Relationship
	0	0	0	0	Master	Director of Wistron Corp. Director of Wistron NeWeb Corp. Director of Wistron Information Technology & Services Corp. Director of Acer Incorporated Director of AOPEN Inc. Independent Director of AU Optronics Corp. Independent Director of Apacer Technology Inc. Chairman of Smart Capital Corp. Director of iD SoftCapital Director of Global Strategic Investment Management Inc. Director of Dragon Investment Fund I Corp. Supervisor of iD Innovation Inc.	-	-	-
	0	0	0	0	Bachelor	Independent Director of Wistron Corp. Chairman of Spirox Corp. Director of RDC Semiconductor Co., Ltd. Director of Taiwan Oasis Technology Co., Ltd. Director of Browave Corp.	-	-	-
	0	0	0	0	Master	Independent Director of Wistron Corp. Chairman of FUCHU General Contractor Corp.	-	-	-
	0	0	0	0	Master	Independent Director of Wistron Corp. Independent Director of ProLight Opto Technology Corp.	-	-	-
	0	0	0	0	Bachelor	Independent Director of Wistron Corp. Director of Continental Holdings Corp. Chairman of Continental Development Corp. Chairman of CEC Commercial Development Corp. Director of Sanlien Educational Foundation	-	-	-
	0	0	0	0	Master	Independent Director of Wistron Corp. Director of Nien Made Enterprise Co., Ltd. Director of Ta Liang Technology Co., Ltd. Independent Director of Dafeng TV Ltd. Independent Director of Newmax Technology Co., Ltd. Director of Bafang Yunji International Co., Ltd. Chairman of MagiCapital (Taiwan) Ltd. Chairman of MagiCap Venture Capital Co., Ltd. Chairman of Deus Investments Limited Chairman of Belos Investments Limited	-	-	-
	-	-	-	-	Master	(Note 2)	-	-	-
	-	-	-	-	Bachelor	(Note 2)	-	-	-
	-	-	-	-	Bachelor	(Note 2)	-	-	-

Title	Nationality or registered	Name	Gender	Date of Election	Term	Date First Elected	Shareholding when Elected		Current Shareholding	
							Shares	%	Shares	%
Independent Director	Republic of China	James K.F. Wu (Note 2)	Male	06/26/2015	3	06/23/2009	-	-	-	-
Independent Director	Republic of China	Duh-Kung Tsai (Note 2)	Male	06/26/2015	3	06/21/2012	-	-	-	-
Independent Director	Republic of China	Victor C.J. Cheng (Note 2)	Male	06/26/2015	3	06/09/2005	-	-	-	-

Note 1: Haydn Hsieh was elected as Wistron's director as the legal representative of Wistron NeWeb Corporation at the Annual Shareholders Meeting on June 14, 2018.

Note 2: The directors were resignation after the Annual Shareholders Meeting on June 14, 2018.

Note 3: Chairman of Wistron Optronics (Kunshan) Co., Ltd.; Chairman of Anwith Corp.; Chairman of SMS InfoComm Corp.; Chairman of Win Smart CO., LTD.; Chairman of Cowin Worldwide Corp.; Chairman of Wistron InfoComm (Philippines) Corp.; Chairman of Wistron Mexico S.A. de C.V.; Chairman of Wistron InfoComm Technology (America) Corp.; Chairman of Wistron InfoComm Technology (Texas) Corp.; Chairman of WisVision Corp.; Chairman of SMS Infocomm (Singapore) Pte. Ltd.; Chairman of SMS (Kunshan) Co., Ltd.; Chairman of Wistron Investment (Jiangsu) CO., Ltd.; Chairman of Wistron InfoComm (Shanghai) Corp.; Chairman of Wistron InfoComm (Zhongshan) Corp.; Chairman of Wistron InfoComm (Kunshan) Co., Ltd.; Chairman of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.; Chairman of Wistron Service (Kunshan) Corp.; Chairman of Wistron InfoComm (Taizhou) Co., Ltd.; Chairman of Wistron InfoComm (CHONGQING) Co., Ltd.; Chairman of SMS Infocomm Global Service (CQ) ; Chairman of Wistron InfoComm Technology Service (Kunshan) Corp.; Chairman of WiEdu Hong Kong Limited; Chairman of Weshtek Information Technology Services Co., Ltd., Shanghai; Chairman of Wistron Medical Tech (Chongqing) CO., Ltd.; Director of AII Holding Corp.; Director of Anwith Service Co., Ltd.; Director of ICT Service Management Solutions (India) Private Limited; Director of Service Management Solutions Mexico SA DE CV; Director of SMS InfoComm (Malaysia) sdn. bhd.; Director of SMS Infocomm Chile Servicios Limitada; Director of WiEDU Holding Co., Ltd; Director of WiEdu Sdn. Bhd.; Director of WiseCap (Hong Kong) Limited; Director of Wistron K.K.; Director of Wistron Europe Holding Cooperatie U.A ; Director of Wistron Advanced Materials (Hong Kong) Limited; Director of Wistron Green Tech (Texas) Corp.; Director of Wistron Technology (Malaysia) Sdn. Bhd.; Director of Wistron InfoComm Manufacturing (India) Private Limited; Director of Wistron Hong Kong Limited; Director of WinDisplay Corp.; Director of Wistron Optroncis (Shanghai) Co., Ltd.; Director of Wistron Advanced Materials (Kunshan) Co., Ltd.; Director of Wistron Hong Kong Holding Limited; Director of Wistron Investment (Sichuan) Co., Ltd. ; Director of Wistron InfoComm (Chengdu) Co., Ltd.; Director of Anwith (KunShan) Co., Ltd.

	Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Shares	%	Shares	%			Title	Name	Relationship
	-	-	-	-	Bachelor	(Note 2)	-	-	-
	-	-	-	-	Bachelor	(Note 2)	-	-	-
	-	-	-	-	Doctorate	(Note 2)	-	-	-

**Major shareholders of the institutional shareholders**

April 7, 2019

Name of Institutional Shareholders	Major Shareholders	%
Wistron NeWeb Corporation	Wistron Corporation	22.97
	Chang Gung Medical Foundation	3.00
	Labor Pension Fund (New Scheme)	2.78
	Haydn Hsieh	1.51
	Value Partners High-Dividend Stocks Fund	1.42
	Norges Bank	1.40
	Cathay Life Insurance Co., Ltd.	1.40
	Taiwan Life Insurance Co., Ltd.	1.19
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.15
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.10

**Major shareholders of the Company's major institutional shareholders**

April 14, 2019

Name of Institutional Shareholders	Major Shareholders	%
Wistron Corporation	Norges Bank	2.02
	Acer Incorporated	1.93
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.60
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.56
	Dimensional Emerging Markets Value Fund	1.54
	Lin, Hsien-Ming	1.53
	Management Board of Public Service Pension Fund	1.50
	Wistron NeWeb Corporation	1.01
	iShares Core MSCI Emerging Markets ETF	1.00
	Morgan Stanley & Co. International Plc	0.98

March 31, 2019

Name of Institutional Shareholders	Major Shareholders	%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd	100

March 31, 2019

Name of Institutional Shareholders	Major Shareholders	%
Taiwan Life Insurance Co., Ltd	CTBC Financial Holding Co., Ltd	100

## Professional qualifications and independence analysis of directors

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Simon Lin			✓				✓	✓	✓	✓	✓	✓	✓	2
Robert Hwang			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wistron NeWeb Corp. Representative: Haydn Hsieh			✓	✓	✓		✓	✓	✓	✓	✓	✓		1
Philip Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Jack Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
S. J. Paul Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
C.H. Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Christopher Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Sam Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
- Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

**3.2.2 Management Team (April 14, 2019)**

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Chairman & CSO	Republic of China	Simon Lin	Male	01/01/2002	43,599,252	1.53	1,544	0	0	0
Director & President	Republic of China	Robert Hwang	Male	01/01/2002	10,416,628	0.37	179,005	0.01	0	0
Chief of Staff Officer	Republic of China	Frank F.C. Lin	Male	01/01/2002	3,949,569	0.14	8,199	0	0	0
Chief Technology Officer	Republic of China	Donald Hwang	Male	01/01/2002	4,081,561	0.14	0	0	0	0
WT CEO	Republic of China	Jeff Lin	Male	04/10/2015	1,021,481	0.04	0	0	0	0



	Education	Concurrent positions at other Companies	Spouses or Relative Within Two Degrees of Kinship Holding a Position as Manager		
			Title	Name	Relationship
	Bachelor	Reference to the information of Board of Directors.	-	-	-
	Master	Reference to the information of Board of Directors.	-	-	-
	Bachelor	Director of Wistron NeWeb Corp. Director of Wistron ITS Corp. Director of AOPEN Inc. Director of Wiwynn Corporation Chairman of WiseCap Ltd. Chairman of WLB Ltd. Director of Wistron Medical Tech Holding Company Director of Wistron Medical Tech Corporation Director of Wistron Digital Technology Holding Company Director of Changing Information Technology Inc. Director of Maya International Co., Ltd. Director of Join-Link International Technology Co., Ltd. Director of Pell Bio-Med Technology Co., Ltd. Director of IP Fund Six Supervisor of aEnrich Technology Corp. Chairman of B Temia Asia Pte Ltd. Chairman of WiseCap (Hong Kong) Limited Director of Hartec Asia Pte. Ltd. Director of Hukui Biotechnology Corporation	-	-	-
	Master	Director of Wistron NeWeb Corp. Chairman of International Standards Labs. Director of Abilliant Corporation Director of WiseCap Ltd. Director of WLB Ltd. Director of Wistron Medical Tech Corporation Director of Wistron Digital Technology Holding Company Director of Maya International Co., Ltd. Director of Free Bionics Taiwan Inc. Director of Apollo Medical Optics, Ltd. Director of Airdog, Inc Director of AII Holding Corp. Director of Win Smart CO., LTD. Director of Wistron Mobile Solutions Corp. Director of Tube Inc. Director of Free Bionics, Inc Director of Apollo Medical Optics Inc. Director of B-TEMIA INC. Director of U.S. Bionics Inc. Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron Investment (Jiangsu) Co., Ltd. Director of Wistron InfoComm Technology Service (Kunshan) Corp.	-	-	-
	Master	Director of ARBOR Technology Corp. Director of Join-Link International Technology Co., Ltd. Chairman of Wistron InfoComm Technology (Zhongshan) Co., Ltd. Director of Wistron Mexico S.A. de C.V. Director of Zhongshan Global Lighting Technology Limited Co., Director of Wistron InfoComm (Chengdu) Co., Ltd. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Wistron InfoComm (CHONGQING) Co., Ltd. Director of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
WSD CEO	Republic of China	David Shen	Male	06/08/2007	2,027,359	0.07	14,848	0	0	0
General Auditor	Republic of China	M.Y. Lin	Male	01/01/2002	1,562,212	0.05	100,234	0	0	0
Chief Digital Officer	Republic of China	Kenny Wang	Male	06/08/2007	3,735,607	0.13	0	0	0	0
Chief Finance Officer	Republic of China	Stone Shih	Male	07/15/2003	2,831,489	0.10	2,649	0	0	0
WT President of SBG	Republic of China	William Lin	Male	04/10/2015	972,495	0.03	794	0	0	0

	Education	Concurrent positions at other Companies	Spouses or Relative Within Two Degrees of Kinship Holding a Position as Manager		
			Title	Name	Relationship
	Master	Chairman of IBASE Technology Inc. Director of Anextek Global Inc. Director of WiEdu Corp. Director of SSIWO Technologies Limited Director of WiEdu Hong Kong Limited Director of Cowin Worldwide Corp. Director of WisVision Corp. Director of Wistron Technology (Malaysia) Sdn. Bhd. Director of WiEdu Sales and Marketing Sdn. Bhd. Director of Formosa Prosonic Industries Berhad Director of Smartiply, Inc Director of Heracles Enterprises Limited Director of Optiemus Electronics Limited Director of Audio Design Experts, Inc. Director of feelthebeat Holdings Limited Director of Wistron InfoComm Technology (Zhongshan) Co., Ltd. Director of Wistron InfoComm (Shanghai) Corp. Director of Wistron InfoComm (Zhongshan) Corp. Director of Weshtek Information Technology Services Co., Ltd., Shanghai	-	-	-
	Doctorate	Standing Supervisor of The Allied Association for Science Park Industry Supervisor of Corporate Synergy Development Center	-	-	-
	Bachelor	Director of Win Smart CO., LTD. Director of Wistron InfoComm (Kunshan) Co., Ltd. Director of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. Director of Wistron InfoComm (CHONGQING) Co., Ltd. Director of Wistron Investment (Sichuan) Co., Ltd. Director of Wistron InfoComm (Chengdu) Co., Ltd. Director of Wistron Investment (Jiangsu) Co., Ltd. Director of Wistron InfoComm Technology Service (Kunshan) Corp.	-	-	-
	Master	Director of WiseCap Ltd. Director of WLB Ltd. Supervisor of Anextek Global Inc. Supervisor of International Standards Labs. Supervisor of WiEdu Corp. Supervisor of Wistron Medical Tech Holding Company Supervisor of Wistron Medical Tech Corporation Supervisor of Wistron Digital Technology Holding Company Supervisor of Anwith Technology Corp. Supervisor of Abilliant Corporation Supervisor of Free Bionics Taiwan Inc. Supervisor of IBASE Technology Inc. Overseas companies current positions summary (Note1)	-	-	-
	Master	Director of Anwith Technology Corp. Director of Anwith Corp. Director of Anwith Servise Co., Ltd. Director of ICT Service Management Solutions (India) Private Limited Director of SMS Infocomm Chile Servicios Limitada Director of SMS InfoComm Corp. Director of Service Management Solutions Mexico SA DE CV Director of SMS InfoComm (Malaysia) sdn. bhd. Director of Wistron InfoComm (Philippines) Corp. Director of Wistron Green Tech (Texas) Corp. Director of Wistron K.K. Director of SMS (Kunshan) Co., Ltd. Director of Wistron Service (Kunshan) Corp. Director of SMS Infocomm Global Service (CQ) Director of SMS Infocomm (Singapore) Pte. Ltd.	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Technical Vice President	Republic of China	Kelvin Chang	Male	04/10/2015	2,791,851	0.10	63,613	0	0	0
Strategy Planning Office Vice President	Republic of China	KY Wang	Male	12/22/2017	0	0	0	0	0	0
WT President of CPBG	Republic of China	Robert CL Lin	Male	12/21/2018	30,324	0	4,301	0	0	0
WSD President of CBG	Republic of China	Vincent Cho	Male	12/21/2018	302,215	0.01	1,209	0	0	0
WSD Operations President	Republic of China	James Chou	Male	12/21/2018	789,337	0.03	0	0	0	0
WT Operations President	Republic of China	Jackie Lai	Male	03/05/2019	463	0	0	0	0	0
WT Vice President of CPBG	Republic of China	Felix Lai	Male	12/21/2018	249,111	0.01	0	0	0	0
WT Vice President of SBG	Republic of China	Peter Tung	Male	12/21/2018	996,986	0.04	0	0	0	0
Vice President	Republic of China	R.R. Chang (Note 2)	Male	04/25/2011	-	-	-	-	-	-

Note1: Director of AII Holding Corp.; Director of Wistron LLC; Director of Wistron InfoComm Technology (America) Corp.; Director of WiEdu Sdn. Bhd.; Director of WiEdu Sales and Marketing Sdn. Bhd. ; Director of WiseCap (Hong Kong) Limited; Director of Wistron InfoComm Technology (Texas) Corp.; Director of Wistron Technology Service (America) Corporation; Director of Lilee Systems, Ltd.; Director of KunShan ChangNun Precision Die Casting Co., Ltd.; Supervisor of Wistron K.K.; Supervisor of SMS (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm (Shanghai) Corp.; Supervisor of Wistron InfoComm (Zhongshan) Corp.; Supervisor of Wistron InfoComm (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.; Supervisor of Wistron InfoComm (Chengdu) Co., Ltd.; Supervisor of Wistron Investment (Jiangsu) Co., Ltd.; Supervisor of Wistron Service (Kunshan) Corp.; Supervisor of Wistron Optronics (Kunshan) Co., Ltd.; Supervisor of Wistron Optronics (Shanghai) Co., Ltd.; Supervisor of Wistron InfoComm Technology (Zhongshan) Co., Ltd.; Supervisor of Wistron InfoComm (Taizhou) Co., Ltd.; Supervisor of WIS Precision (Taizhou) Co., Ltd.; Supervisor of Wistron InfoComm (CHONGQING) Co., Ltd.; Supervisor of Wistron Investment (Sichuan) Co., Ltd. ; Supervisor of SMS Infocomm Global Service (CQ) ; Supervisor of Wistron InfoComm Technology Service (Kunshan) Corp.; Supervisor of Weshtek Information Technology Services Co., Ltd., Shanghai; Supervisor of Wistron Advanced Materials (Kunshan) Co., Ltd.

Note2: Resigned on May 1, 2018.

	Education	Concurrent positions at other Companies	Spouses or Relative Within Two Degrees of Kinship Holding a Position as Manager		
			Title	Name	Relationship
	Bachelor	None	-	-	-
	Doctorate	None	-	-	-
	Master	Vice Chairman of Xtronics (Nanjing) Automotive Intelligent Technologies Co., Ltd.	-	-	-
	Bachelor	Director of WinDisplay Corp. Director of Wistron InfoComm (Taizhou) Co., Ltd. Director of Wistron Optronics (Kunshan) Co., Ltd. Director of Wistron Advanced Materials (Kunshan) Co., Ltd.	-	-	-
	Bachelor	Director of Wistron InfoComm (Taizhou) Co., Ltd. Director of Wistron Optronics (Kunshan) Co., Ltd.	-	-	-
	Master	None	-	-	-
	Bachelor	None	-	-	-
	Master	Director of Wistron InfoComm Manufacturing (India) Private Limited	-	-	-
	Master	(Note 2)	-	-	-

### 3.3 Compensation of Directors, Supervisors, President and Vice Presidents

#### 3.3.1 Compensation of Directors (December 31, 2018)

Title	Name	Compensation								Ratio of Total Compensation (A+B+C+D) to Net Income (%)
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)		
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Chairman & CSO	Simon Lin									
Director & President	Robert Hwang									
Director	Wistron NeWeb Corp. Representative: Haydn Hsieh									
Director	Haydn Hsieh (Note 1)									
Director	Philip Peng									
Independent Director	Jack Chen									
Independent Director	S. J. Paul Chien									
Independent Director	C.H. Chen	0	0	0	0	46,210	46,210	840	930	0.96
Independent Director	Christopher Chang									
Independent Director	Sam Lee									
Director	Stan Shih (Note 2)									
Independent Director	John Hsuan (Note 2)									
Independent Director	Michael Tsai (Note 2)									
Independent Director	James K.F. Wu (Note 2)									
Independent Director	Duh-Kung Tsai (Note 2)									
Independent Director	Victor C.J. Cheng (Note 2)									

\*Except for the compensation listed in the above table, the compensation that directors received by offering services (such as serving as a consultant instead of an employee) for companies in the financial statements is: None

Note 1: Haydn Hsieh was elected as Wistron's director as the legal representative of Wistron NeWeb Corporation at the Annual Shareholders Meeting on June 14, 2018.

Note 2: The directors were resignation after the Annual Shareholders Meeting on June 14, 2018.

Unit: NT\$ thousands

Relevant Compensation Received by Directors Who are Also Employees										Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)								
Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements		
					Cash	Stock	Cash	Stock				
0.96	25,478	25,478	823	823	53,212	0	53,212	0	2.58	2.58	20,140	

**A. Directors' compensation brackets table**

Ranges of compensation paid to the Company's directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements H	The Company	All companies included in the financial statements I
Under NT\$ 2,000,000	10, Note 1	Same as the left column	10, Note 1	Same as the left column
NT\$2,000,000 ~ NT\$4,999,999	4, Note 2	Same as the left column	4, Note 2	Same as the left column
NT\$5,000,000 ~ NT\$9,999,999	1, Note 3	Same as the left column		
NT\$10,000,000 ~ NT\$14,999,999	1, Note 4	Same as the left column		
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999			1, Note 4	Same as the left column
NT\$50,000,000 ~ NT\$99,999,999			1, Note 3	Same as the left column
Over NT\$100,000,000				
Total	16	16	16	16

Note 1: Jack Chen, S. J. Paul Chien, C.H. Chen, Christopher Chang, Sam Lee, John Hsuan, Michael Tsai, James K.F. Wu, Duh-Kung Tsai, Victor C.J. Cheng

Note 2: Wistron NeWeb Corp. Representative: Haydn Hsieh, Haydn Hsieh, Philip Peng, Stan Shih

Note 3: Robert Hwang

Note 4: Simon Lin

**3.3.2 Compensation of Supervisors : Not applicable****A. Supervisors ' compensation brackets table : Not applicable**





### 3.3.3 Remuneration of the President and Vice Presidents(December 31, 2018)

Title	Name	Salary(A)		Severance Pay and Penions(B)		Bonuses and Allowances (C)	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Chairman & CSO	Simon Lin	39,643	39,643	3,769	3,769	47,711	47,791
Director & President	Robert Hwang						
Chief of Staff Officer	Frank F.C. Lin						
Chief Technology Officer	Donald Hwang						
WT CEO	Jeff Lin						
WSD CEO	David Shen						
General Auditor	M.Y. Lin						
Chief Digital Officer	Kenny Wang						
Chief Finance Officer	Stone Shih						
WT President of SBG	William Lin						
Technical Vice President	Kelvin Chang						
Strategy Planning Office Vice President	KY Wang						
Vice President	R.R. Chang (Note)						

Note: Resigned on May 1, 2018.

#### A. The President and Vice Presidents remuneration brackets table

Range of Compensation	Names of President and Vice Presidents	
	The Company	All companies included in the financial statements
Under NT\$ 2,000,000		
NT\$2,000,000 ~ NT\$4,999,999	1, Note 1	1, Note 1
NT\$5,000,000 ~ NT\$9,999,999	7, Note 2	7, Note 2
NT\$10,000,000 ~ NT\$14,999,999	3, Note 3	3, Note 3
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999	2, Note 4	2, Note 4
NT\$50,000,000 ~ NT\$99,999,999		
Over NT\$100,000,000		
Total	13	13

Note 1: KY Wang

Note 2: Donald Hwang, M.Y. Lin, Kenny Wang, Stone Shih, William Lin, Kelvin Chang, R.R. Chang

Note 3: Frank F.C. Lin, Jeff Lin, David Shen

Note 4: Simon Lin, Robert Hwang

Unit: NT\$ thousands

	Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
	Cash	Stock	Cash	Stock			
	78,438	0	78,438	0	3.45	3.46	273

**B. Names of managers entitled to employee Compensation (December 31, 2018)**

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Chairman & CSO	Simon Lin	0	85,161	85,161	1.73
	Director & President	Robert Hwang				
	Chief of Staff Officer	Frank F.C. Lin				
	Chief Technology Officer	Donald Hwang				
	WT CEO	Jeff Lin				
	WSD CEO	David Shen				
	General Auditor	M.Y. Lin				
	Chief Digital Officer	Kenny Wang				
	Chief Finance Officer	Stone Shih				
	WT President of SBG	William Lin				
	Technical Vice President	Kelvin Chang				
	Strategy Planning Office Vice President	KY Wang				
	WT-President of CPBG	Robert CL Lin (Note 1)				
	WSD-President of CBG	Vincent Cho (Note 1)				
	WSD-Operations President	James Chou (Note 1)				
	WT-Vice President of CPBG	Felix Lai (Note 1)				
WT-Vice President of SBG	Peter Tung (Note 1)					
Vice President	R.R. Chang (Note 2)					

Note1: Appointed on December 22, 2018.

Note2: Resigned on May 1, 2018.

### **3.3.4 Comparison of Compensation for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Compensation Policy for Directors, Supervisors, President and Vice Presidents**

#### **A. Directors', President's and Vice Presidents' compensation paid in the last two years as a percentage to net income**

Item	Ratio of total compensation paid to directors, supervisors, president and vice presidents to net income (%)	
	2018	2017
Compensation to Directors	0.96	1.22
Compensation to the President and Vice Presidents	3.46	11.11

#### **B. The determination of remuneration for directors, supervisors, presidents and vice presidents**

The remuneration of the company's presidents and vice presidents consist of fixed items such as fixed salary, annual bonus and company benefits, as well as variable items including bonus, allowance (cash/stock) and stock warrants, and the majority of the remuneration shall be paid in variable items. The fixed items are in principle determined to maintain the company's competitiveness within the industry; the variable items consider both company's performance and individual's appraisal – the better the performance, the higher the proportion of variable items to fixed items. The performance evaluation will be comprehensively determined by the completion rate of business targets, profit margin, growth rate, operating efficiency and future development potential, etc. The targets and weightage of these performance metrics are stipulated with reference to the internal and external operating environment and future risk exposures at the beginning of the year.

### 3.4 Status of Corporate Governance

#### 3.4.1 Board meeting attendance

The Board meetings held 10 times in 2018.

Title	Name	Attendance in Person	Attendance by proxy	Rate of attendance in person (%)	Remarks					
Chairman	Simon Lin	9	1	90						
Director	Robert Hwang	9	1	90						
Director	Wistron NeWeb Corp. Representative: Haydn Hsieh	6	0	100	The directors were elected as Wistron's directors at the Annual Shareholders Meeting on June 14, 2018. So the total number of eligible board meeting was 6 times.					
Director	Philip Peng	6	0	100						
Independent Director	Jack Chen	6	0	100						
Independent Director	S. J. Paul Chien	6	0	100						
Independent Director	C.H. Chen	6	0	100						
Independent Director	Christopher Chang	6	0	100						
Independent Director	Sam Lee	5	1	83	The directors were resignation after the Annual Shareholders Meeting on June 14, 2018. So the total number of eligible board meeting was 4 times.					
Director	Stan Shih	4	0	100						
Director	Haydn Hsieh	4	0	100						
Independent Director	John Hsuan	4	0	100						
Independent Director	Michael Tsai	4	0	100						
Independent Director	James K.F. Wu	3	1	75						
Independent Director	Duh-Kung Tsai	2	2	50						
Independent Director	Victor C.J. Cheng	4	0	100						
Other noteworthy items:										
Independent directors' attendance in 2018 board meetings										
● : Attendance in person ; ○ : Attendance by proxy										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Jack Chen	-	-	-	-	●	●	●	●	●	●
S. J. Paul Chien	-	-	-	-	●	●	●	●	●	●
C.H. Chen	-	-	-	-	●	●	●	●	●	●
Christopher Chang	-	-	-	-	●	●	●	●	●	●
Sam Lee	-	-	-	-	●	●	●	●	●	○
John Hsuan	●	●	●	●	-	-	-	-	-	-
Michael Tsai	●	●	●	●	-	-	-	-	-	-
James K.F. Wu	●	●	●	○	-	-	-	-	-	-
Duh-Kung Tsai	○	●	●	○	-	-	-	-	-	-
Victor C.J. Cheng	●	●	●	●	-	-	-	-	-	-

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has already established an Audit Committee.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Meeting	Interested Directors	Subject Matter	Participation in Deliberation
2018.03.13	2nd Board Meeting of 2018	Robert Hwang	1. Approval of the salary adjustment to the managers (excluding CSO) in 2018. 2. Approval of the performance bonus budget to the managers in 2018. 3. Approval of the proposal for transferring treasury stocks to the managers (excluding CSO). 4. Approval of the compensation for employees and directors of 2017. 5. Approval of the proposal of 2017 employees' compensation payout ratio and amount to the managers (excluding CSO).	The interested director left the room during discussion and voting.
		Simon Lin and Robert Hwang	1. Approval of the proposal of 2017 employees' compensation payout ratio and amount to CSO. 2. Approval of the salary adjustment to CSO in 2018. 3. Approval of the proposal for transferring treasury stocks to CSO.	The interested director left the room during discussion and voting.
2018.08.10	7th Board Meeting of 2018	Robert Hwang	Approval of the performance bonus to general managers in 2018 first half of the year.	The interested director left the room during discussion and voting.
		S. J. Paul Chien, Christopher Chang and Sam Lee	Approval of the directors' compensation (including transportation allowance) of 2017.	The interested director left the room during discussion and voting.
2018.12.21	10th Board Meeting of 2018	Robert Hwang	Approval of the performance bonus to general managers in second half of the year.	The interested director left the room during discussion and voting.
		S. J. Paul Chien, Christopher Chang and Sam Lee	Approval of setting "Principles of Directors' and Functional Committees' Compensation".	The interested director left the room during discussion and voting.
2019.03.25	2nd Board Meeting of 2019	Robert Hwang	1. Approval of the salary adjustment to the managers (excluding CSO) in 2019. 2. Approval of the performance bonus budget to the managers (excluding CSO) in 2019. 3. Approval of the compensation for employees and directors of 2018. 4. Approval of the proposal of 2018 employees' compensation payout ratio and amount to the managers (excluding CSO).	The interested director left the room during discussion and voting.
		Simon Lin and Robert Hwang	1. Approval of the proposal of 2018 employees' compensation payout ratio and amount to CSO. 2. Approval of the salary adjustment to CSO in 2019. 3. Approval of the performance bonus budget to CSO in 2019.	The interested director left the room during discussion and voting.

3. The objectives of strengthening the functionality of the Board of Directors for the present year and the most recent year and assessment on the implementation:

In order to implement corporate governance practice and to enhance board efficiency, Wistron had completed the performance evaluation of Board of Directors for the period from January 1, 2018 to December 31, 2018, the results of the 2018 Board of Directors' performance evaluation are "exceed the standard".

### **3.4.2 Audit Committee**

The Audit Committee is composed of all of the five Independent Directors, with one financial expert. The Audit Committee holds meetings before the board meetings regularly at least once each quarter to examine the Company's internal control systems, internal audit executions, as well as material financial activities; also to communicate with CPAs for an effective supervision on the company's operations and risk controls.

The Audit Committee is responsible to review the following major matters:

- Financial reports.
- Internal control systems including related policies and procedures.
- Assessment of the effectiveness of the internal control system.
- Asset transactions or derivatives trading of a material nature.
- Loans of funds, endorsements, or provision of guarantees of a material nature.
- The offering, issuance, or private placement of equity-type securities.
- The hiring or dismissal of a certified public accountant, or their compensation.
- Matters in which a director is an interested party.
- The appointment or discharge of a financial, accounting, or internal audit officer.
- Corporate risk management
- IT security



**A. total of 10 Audit Committee meetings were held in 2018. The Independent Director's participation status is as follows**

	Title	Name	Attendance in Person	By Proxy	Attendance rate in Person (%)	Remarks
4th	Convener	Jack Chen	6	0	100	A total of 6 meetings were held by 4th Audit Committee.
	Member	S. J. Paul Chien	6	0	100	
	Member	C.H. Chen	6	0	100	
	Member	Christopher Chang	6	0	100	
	Member	Sam Lee	5	1	83	
3rd	Convener	Michael Tsai	4	0	100	A total of 4 meetings were held by 3rd Audit Committee.
	Member	John Hsuan	4	0	100	
	Member	James K.F. Wu	3	1	75	
	Member	Duh-Kung Tsai	2	2	50	
	Member	Victor C.J. Cheng	4	0	100	

Other noteworthy items :

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
  - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act :Please refer to the Major Resolutions of Board Meetings (p.74-79)
  - (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)
  - (1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.
  - (2) The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

### **3.4.3 Corporate Governance Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies**

Items of Evaluation	Implementation Status		
	Yes	No	
1. Does Company follow “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” to establish and disclose its corporate governance practices?	✓		
2. Shareholding Structure & Shareholders’ Rights			
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	✓		
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		
3. Composition and Responsibilities of the Board of Directors			
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		

	Implementation Status	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																																																														
	Summaries																																																																																																															
	Wistron has set up “Corporate Governance Best Practice Principles” by Board of Director and made amendment on March 25, 2019, and there is no discrepancy between corporate governance principles.	No discrepancy																																																																																																														
	<p>(1) Wistron has designated the Shareholder Service Office to handle the shareholders’ feedbacks, questions and disputes.</p> <p>(2) Wistron holds information on the identities of major shareholders and their ultimate controlling persons.</p> <p>(3) Wistron has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, loaning of funds and the rules governing acquisitions and disposal of assets etc.</p> <p>(4) Wistron enacted “Regulations on Insider Trading” to prevent any illegal activities in terms of insider trading.</p>	No discrepancy																																																																																																														
	<p>(1) Wistron has set the diversity policy of the board of directors in “Corporate Governance Best Practice Principles”. Wistron has 9 directors, 5 of them are independent directors, accounting for 56% of all directors, and the minimum tenure for independent directors is 3 years. All members of the Board of Directors have professional background (e.g., law, accounting, industry, and finance), professional skills, and industry experience. Mr. Philip Peng and Mr. Sam Lee have a professional background in accounting and financial analysis and Mr. Christopher Chang has legal background expertise and can give professional advice to the Company from different angles.</p> <table border="1" data-bbox="156 1697 1150 2078"> <thead> <tr> <th></th> <th>Gender</th> <th>Operational judgment</th> <th>Accounting and financial analysis</th> <th>Management administration</th> <th>Crisis management</th> <th>Industrial knowledge</th> <th>International market perspective</th> <th>Leadership</th> <th>Decision making</th> <th>Law</th> </tr> </thead> <tbody> <tr> <td>Simon Lin</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Robert Hwang</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Haydn Hsieh</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Philip Peng</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Jack Chen</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>S. J. Paul Chien</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>C.H. Chen</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Christopher Chang</td> <td>Male</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Sam Lee</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> </tbody> </table>		Gender	Operational judgment	Accounting and financial analysis	Management administration	Crisis management	Industrial knowledge	International market perspective	Leadership	Decision making	Law	Simon Lin	Male	v		v	v	v	v	v	v		Robert Hwang	Male	v		v	v	v	v	v	v		Haydn Hsieh	Male	v		v	v	v	v	v	v		Philip Peng	Male	v	v	v	v	v	v	v	v		Jack Chen	Male	v		v	v	v	v	v	v		S. J. Paul Chien	Male	v		v	v	v	v	v	v		C.H. Chen	Male	v		v	v	v	v	v	v		Christopher Chang	Male	v		v	v	v	v	v	v	v	Sam Lee	Male	v	v	v	v	v	v	v	v		No discrepancy
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Items of Evaluation	Implementation Status		
	Yes	No	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	✓		

	<b>Implementation Status</b>	<b>Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</b>
	<b>Summaries</b>	
	<p>(2) Wistron may create other functional committees according to the article 12 of Articles of Incorporation. Except for Audit Committee and Compensation Committee, our Company has set up a Corporate Sustainability and social Responsibility Implementing Committee, which the President is serving as chairperson of the committee, and will report the implementation status and results to the Board.</p> <p>(3) Wistron has established “Rules for Board of Directors Performance Assessments” on November 11, 2016. The evaluation period shall be from January 1 to December 31 of the current year, and for the current year shall be reported to the board of directors within three months in next year.</p> <p>The performance evaluation of the board of directors should cover the following five aspects:</p> <ul style="list-style-type: none"> <li>A. Participation in the operation of the company;</li> <li>B. Improvement of the quality of the board of directors’ decision making;</li> <li>C. Composition and structure of the board of directors;</li> <li>D. Election and continuing education of the directors;</li> <li>E. Internal control.</li> </ul> <p>The criteria for evaluating the individual performance of the board members should cover the following six aspects:</p> <ul style="list-style-type: none"> <li>A. Familiarity with the goals and missions of the company;</li> <li>B. Awareness of the duties of a director;</li> <li>C. Participation in the operation of the company;</li> <li>D. Management of internal relationship and communication;</li> <li>E. The director's professionalism and continuing education;</li> <li>F. Internal control.</li> </ul> <p>Wistron had completed the performance evaluation of Board of Directors for the period from January 1, 2018 to December 31, 2018, including self-evaluation by 9 directors (including 5 independent directors) and the internal evaluation of the board. A project target is deemed achieved if it is ticked in the questionnaire. If the rate is over 90% (inclusive), it shall be "exceed the standard". If the rate is over 80% (inclusive) or less than 90%; When the rate is less than 80%, it is "needs improvement". Upon completion of the above procedures, the results of the 2018 Board of Directors' performance evaluation are "exceed the standard".</p>	No discrepancy

Items of Evaluation	Implementation Status		
	Yes	No	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		
4. Does a TWSE/TPEX listed company set up a full/part-time corporate governance unit or personnel to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders meetings?	✓		

	Implementation Status	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																										
	Summaries																											
	<p>(4) The evaluation of CPA is one of the main duties of the Audit Committee each year. Wistron evaluates the independence of CPA based on KPMG's Statement of Independence and items stated in Certified Public Accountant Act and "Integrity, Objectivity and Independence.", No.10 of "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China".</p> <table border="1" data-bbox="161 745 1150 1357"> <thead> <tr> <th data-bbox="161 745 1062 786">Evaluation items</th> <th data-bbox="1062 745 1150 786">Result</th> </tr> </thead> <tbody> <tr> <td data-bbox="161 786 1062 826">Do the accountants have direct or indirect financial interest with the Company?</td> <td data-bbox="1062 786 1150 826">No</td> </tr> <tr> <td data-bbox="161 826 1062 866">Do the accountants and the Company have inappropriate interests?</td> <td data-bbox="1062 826 1150 866">No</td> </tr> <tr> <td data-bbox="161 866 1062 907">Do the accountants serve the Company within two years before the practice?</td> <td data-bbox="1062 866 1150 907">No</td> </tr> <tr> <td data-bbox="161 907 1062 947">Do the accountants permit others to practice under theirs name?</td> <td data-bbox="1062 907 1150 947">No</td> </tr> <tr> <td data-bbox="161 947 1062 987">Do the accountants and the members of audit team have shares of the Company?</td> <td data-bbox="1062 947 1150 987">No</td> </tr> <tr> <td data-bbox="161 987 1062 1028">Do the accountants have fund lending with the Company?</td> <td data-bbox="1062 987 1150 1028">No</td> </tr> <tr> <td data-bbox="161 1028 1062 1086">Do the accountants have relationship of collective investment or profit sharing with the Company?</td> <td data-bbox="1062 1028 1150 1086">No</td> </tr> <tr> <td data-bbox="161 1086 1062 1144">Do the accountants currently employed by the Company to perform routine work for which receives a fixed salary, or currently serves as a director?</td> <td data-bbox="1062 1086 1150 1144">No</td> </tr> <tr> <td data-bbox="161 1144 1062 1184">Do the accountants have management functions related to decision-making of the Company?</td> <td data-bbox="1062 1144 1150 1184">No</td> </tr> <tr> <td data-bbox="161 1184 1062 1225">Do the accountants receive any commission about business?</td> <td data-bbox="1062 1184 1150 1225">No</td> </tr> <tr> <td data-bbox="161 1225 1062 1314">Do the accountants are spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the Company?</td> <td data-bbox="1062 1225 1150 1314">No</td> </tr> <tr> <td data-bbox="161 1314 1062 1357">Do the accountants have being the audit accountants of the Company over 7 years?</td> <td data-bbox="1062 1314 1150 1357">No</td> </tr> </tbody> </table>	Evaluation items	Result	Do the accountants have direct or indirect financial interest with the Company?	No	Do the accountants and the Company have inappropriate interests?	No	Do the accountants serve the Company within two years before the practice?	No	Do the accountants permit others to practice under theirs name?	No	Do the accountants and the members of audit team have shares of the Company?	No	Do the accountants have fund lending with the Company?	No	Do the accountants have relationship of collective investment or profit sharing with the Company?	No	Do the accountants currently employed by the Company to perform routine work for which receives a fixed salary, or currently serves as a director?	No	Do the accountants have management functions related to decision-making of the Company?	No	Do the accountants receive any commission about business?	No	Do the accountants are spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the Company?	No	Do the accountants have being the audit accountants of the Company over 7 years?	No	No discrepancy
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	<p>The Chief of Staff Office of the Company is the unit to be in charge of corporate governance affairs. The board of directors appointed Mr. Frank F.C. Lin as the company secretary of Wistron on March 25, 2019.</p> <p>It is advisable that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <p>A. Handling matters relating to board meetings and shareholders meetings according to laws.</p> <p>B. Producing minutes of board meetings and shareholders meetings.</p> <p>C. Assisting in onboarding and continuous education of directors.</p> <p>D. Furnishing information required for business execution by directors.</p> <p>E. Assisting directors and supervisors with legal compliance.</p> <p>F. Other matters set out in the articles or corporation or contracts.</p>	No discrepancy																										

Items of Evaluation	Implementation Status		
	Yes	No	
5. Whether the company has established channels of communication with Stakeholders (including but not limited to shareholders, employees, customers and suppliers), and open the Stakeholders section on the company's website, and respond appropriately to Stakeholders' interests/ concerns regarding corporate social responsibility.	✓		
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?		✓	
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓ ✓		



	<b>Implementation Status</b>	<b>Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</b>
	<b>Summaries</b>	
	<p>The 2018 implement of corporate governance affairs were as bellows:</p> <p>A.To prepare the appropriate and sufficient information to assist the Board of Directors in performing its duties and to arrange the continuing education for directors.</p> <p>B.To assist the legal compliance of procedure and resolution in board meeting and shareholders' meeting</p> <p>C.Draft board of directors meeting agenda 7 days prior to director notification, convene meeting and submit meeting information, agenda such as advance reminder of recusal due to conflict of interests and complete the meeting minutes of the board of directors meeting within 20 days after the meeting.</p> <p>D.To register the date of shareholders' meeting in advanced and to prepared meeting notice, handbook and meeting minutes within the legal time limit.</p>	No discrepancy
	<p>In order to communicate with different stakeholders effectively, we have initiated materiality analysis procedures every year since 2010. The material topic and its Boundary were included in Wistron Corporate Sustainability and Social Responsibility (CSR) Report by referring to GRI standards since 2017.</p> <p>We have also designated a stakeholder section on the corporate website to address our corporate sustainability and social responsibility activities and relevant issues.</p>	No discrepancy
	<p>Wistron has designated the Shareholders Service Office to handle the shareholders' proposal and disputes.</p>	No discrepancy
	<p>(1) Wistron has set up a website containing the information regarding financials, business and corporate governance status.</p> <p>(2) Wistron has one chief spokesman and one acting spokesman and also designated a team to be responsible for gathering and disclosing the information. Wistron has formulated Regulations on Insider Trading to govern procedures to manage material information disclosure; such management procedure has been informed to all employees, management and directors.</p>	No discrepancy

Items of Evaluation	Implementation Status		
	Yes	No	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	✓		

	Implementation Status	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Summaries	
	<p>(1) Employee benefits and rights, Employee care: Wistron emphasizes on the importance of employee benefits and rights. We not only comply with related laws and regulations, but also publish all corporate governance related regulations and operating conditions on the company's official website to ensure that employees are well informed. The company is committed to social responsibility to protect the rights and interests of its employees, and has joined the Responsible Business Alliance (RBA). As a member of the Alliance, Wistron strictly complies with the relevant norms, and integrates human rights concerns into the various aspects of its daily operations. Caring employees is included as the responsibility of Employer well.</p> <p>(2) Investor Relations: The objective for managing investor relations is to provide the latest information of the company to global investors. The company can communicate directly to global investors, enhance the transparency of financials and corporate governance, and develop a good public image.</p> <p>(3) Supplier relationship : In order to maintain long-term advantages of research and development in new technology, quality control, price competition, adequate supply, and to provide green products that are in line with energy conservation and environmental protection, Wistron on the basis of good faith to conduct supplier audit and management, so to confirm suppliers comply with various environmental protection treaties and social responsibilities, continue to provide products that meet the standards of Wistron, and with competitive advantages in price. Wistron will keep upholding the spirit of mutual trust and benefit to grow together with suppliers and create Win-win.</p> <p>(4) Stakeholders Relations: For different situations, the company has investor relations, public relations, legal departments, etc. to communicate with stakeholders and the company website contains all the contact information of all above mentioned departments.</p>	No discrepancy

Items of Evaluation	Implementation Status		
	Yes	No	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	✓		

Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
Summaries						
(5) Continuing education of Directors and Managers :						
A. Directors' training records						
Title	Name	Date for Attending Continuing Education	Hosted By	Course Title	Hours	No discrepancy
Chairman	Simon Lin	2018.04.19	Taiwan Corporate Governance Association	Corporate Governance and securities legislation	3.0	
		2018.05.02	Securities & Futures Institute	Early Warning and Type Analysis of Enterprise Financial Crisis	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
Director	Robert Hwang	2018.11.02	Taiwan Corporate Governance Association	The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
				The Role of Directors in the Process of Mergers and Acquisitions	3.0	
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Director	Wistron NeWeb Corp. Representative: Haydn Hsieh	2018.11.02	Taiwan Corporate Governance Association	The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
				The Role of Directors in the Process of Mergers and Acquisitions	3.0	
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Items of Evaluation	Implementation Status		
	Yes	No	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	✓		

Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
Summaries						
Title	Name	Date for Attending Continuing Education	Hosted By	Course Title	Hours	No discrepancy
Director	Philip Peng	2018.03.21	Taiwan Corporate Governance Association	Current Development Trend of Corporate Governance and Prospect of Taiwan's IPO Capital Market.	3.0	
		2018.05.09	Taiwan Corporate Governance Association	The Impact of International Political and Economic Situation on Taiwan's Capital Communications Industry.	3.0	
		2018.08.08	Taiwan Corporate Governance Association	Updating of Important Regulations.	1.5	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
2018.11.07	Taiwan Corporate Governance Association	Prospects for International Trade in 2019 - Starting from the Observation of Trade Conflicts between the United States and China.	1.5			
Independent Director	Jack Chen	2018.05.03	Taiwan Corporate Governance Association	Now you're a venture capitalist: New Business Strategies Investors Need to Know.	3.0	
		2018.05.03	Taiwan Corporate Governance Association	Case Analysis and Practice of Mergers and Acquisitions of Enterprises from the Perspective of Legal Affairs.	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
Independent Director	S. J. Paul Chien	2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	

Items of Evaluation	Implementation Status		
	Yes	No	
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Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
Summaries						
Title	Name	Date for Attending Continuing Education	Hosted By	Course Title	Hours	No discrepancy
Independent Director	C.H. Chen	2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
Independent Director	Christopher Chang	2018.01.19	Taiwan Corporate Governance Association	New Trend and Analysis of the Amendment of Company Act.	3.0	
		2018.07.24	Securities & Futures Institute	Conference of Equity Trading Regulation Compliance to Internal Personnel of the company	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
2018.11.02	Taiwan Corporate Governance Association	The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0			
		2018.08.08	Taiwan Corporate Governance Association	Regulations and Practice of Corporate Governance	3.0	
Independent Director	Sam Lee	2018.08.08	Taiwan Corporate Governance Association	Main Points of Amendment of Company Act and the Practical Measures	3.0	
				The Role of Directors in the Process of Mergers and Acquisitions	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	

Items of Evaluation	Implementation Status		
	Yes	No	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	✓		

Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
Summaries						
B. Managers' training records						
Title	Name	Date for Attending Continuing Education	Hosted By	Course Title	Hours	No discrepancy
Chief Staff Officer	Frank F.C Lin	2018.04.19	Taiwan Corporate Governance Association	Corporate Governance and securities legislation	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
Chief Technology Officer	Donald Hwang	2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	
WT CEO	Jeff Lin	2018.08.15	Governance Professionals Institute of Taiwan	Seminar of Corporate Governance Professionals and Directors' Functions and Legal Responsibility	3.0	
		2018.10.15	Securities & Futures Institute	12th Taipei Corporate Governance Forum	3.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
General Auditor	M.Y. Lin	2018.10.26	Computer Audit Association	Database audit and personal data protection	6.0	
		2018.11.19	Computer Audit Association	Practical check of Network and System Security.	6.0	
Chief Finance Officer	Stone Shih	2018.06.21-2018.06.22	Accounting Research and Development Foundation	Continuing training of Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12.0	
		2018.11.02	Taiwan Corporate Governance Association	The Role of Directors in the Process of Mergers and Acquisitions	3.0	
				The Impact and Response of the Latest Amendment of Company Act on Companies and Directors and Supervisors	3.0	
				The Impact and the solution to Taiwanese Enterprises of Conflicts between the United States and China and the Impact and Response of Taiwan's Expected Implementation of Taiwan CRS on Enterprises and Major Shareholders.	3.0	

Items of Evaluation	Implementation Status		
	Yes	No	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing Liability Insurance for Directors)?	✓		
9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Company's Center for Corporate Governance in the last year of the TWSE and provide priority measures and measures for those who have not yet improved. (1) On November 2, 2018, Wistron commissioned Taiwan Corporate Governance Association of to hold a course and invited the directors to participate. (2) Wistron has set up "Corporate Governance Best Practice Principles" by Board of Director and made amendment on March 25, 2019 and appointed Mr. Frank F.C. Lin as the Company Secretary. (3) Wistron will make amendment of "Rules for Board of Directors Performance Assessments" to add performance assessment of functional committees.			

	<b>Implementation Status</b>	<b>Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</b>
	<b>Summaries</b>	
	<p>(6) The implementation of risk management policies and risk evaluation measures            In order to meet the needs of relevant laws and actual operation, Wistron has established standard operating procedures (SOP) and formulated internal management system. In addition to organizing education and training to cultivate employees' concept ideas, Wistron has actively promoted and implemented various risk management norms to reduce financial and business risks. In addition, internal auditors regularly check the implementation of various risk management measures, improve the deficiencies, and cooperate with the strict requirements of the company to implement Six Sigma to truly measure and effectively monitor the operation of the risk management mechanism.</p> <p>(7) The implementation of customer relations policies            Wistron always strictly abides by customer confidentiality. If there are competitors among customers, different teams will be set up to serve customers, or even different factories to produce and build firewalls. It is strictly forbidden to talk about customer confidentiality in public in order to achieve the goal of protecting customers.</p> <p>(8) Purchasing insurance for directors            Wistron has purchased liability insurance for directors and managers, and had report the insured amount, coverage, premium rate, and other major contents of the liability insurance to board of directors on April 27, 2018.</p>	No discrepancy

### 3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

#### A. The Composition

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	S. J. Paul Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Christopher Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director	Sam Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note : “✓” is placed in the box below if the member met the following criteria at any time during active duty and two years prior to the date of appointment.

- (1) The member is not an employee of the Company or any of its affiliated enterprises.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. This does not apply to independent director positions in the company's directly or indirectly held subsidiaries (with more than 50% voting interest).
- (3) The member is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, a relative of second degree or closer, or a direct kin of third degree or closer to anyone listed in the three preceding criteria.
- (5) The member is not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) The member is not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. And the restrictions do not apply to compensation committee members performing their official power under Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) The member doesn't have any of the circumstances set forth in Article 30 of the Company Act.

#### B. Responsibilities of the Compensation Committee

Pursuant to Article 6 of the Company's "Compensation Committee Charter" the Compensation Committee has the following responsibilities:

- (1) Design and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.

- (2) Periodically evaluate and determine the remuneration of directors, supervisors, and managerial officers.

### C. Attendance of Members at Compensation Committee Meetings

- (1) The Compensation Committee consist three sitting members.
- (2) The term of service of 3rd Compensation Committee was 2015.07.20~2018.06.14 and the term of service of 4th Compensation Committee was 2018.07.09~2021.06.13.

A total of 5 Compensation Committee meetings were held in 2018. The members' participation status is as follows:

	Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
4th	Convener	S. J. Paul Chien	3	0	100	A total of 3 meetings were held by 4th Compensation Committee.
	Member	Christopher Chang	3	0	100	
	Member	Sam Lee	2	1	67	
3rd	Convener	Michael Tsai	2	0	100	A total of 2 meetings were held by 3rd Compensation Committee.
	Member	John Hsuan	2	0	100	
	Member	Duh-Kung Tsai	2	0	100	

Other noteworthy items:

1. If the board of directors declines to adopt or modify a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

**3.4.5 Enforcement of Social Responsibility**

Item	Enforcement	
	Yes	No
1. Implementation of Corporate Governance		
(1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	✓	
(2) Does the Company hold regular CSR training?	✓	
(3) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	✓	
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy,	✓	



<b>Enforcement</b>	<b>Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</b>
<b>Summary</b>	
<p>(1) Wistron has established and published a set of “Corporate Social Responsibility Best Practice Principles” on its website since 2010.</p> <p>Furthermore, there are five corresponding management systems in response to quality, green products, environmental protection, occupational safety and health, and social responsibility while established global CSR policies and CSR management system.</p> <p>The company also evaluate the progress of its implementation of corporate social responsibility through the annual planning and promotion of the corporate sustainability and social responsibility management system and the annual publication of CSR Report.</p> <p>Please refer to “Corporate Sustainability and Social Responsibility Management” section of Wistron CSR Report for the details.</p> <p>(2) To promote social responsibility related training and ensure the implementation on integrity, human rights, people management, and staff communication, etc., Wistron provides periodical courses such as New Employee Orientation, Ethic, New Manager, Coaching for Empowerment, Corporate Culture training.</p> <p>(3) Please refer to “Corporate Sustainability and Social Responsibility Management” section of Wistron CSR Report.</p> <p>(4) Wistron has a clear compensation policy and we ensure all compensation and benefits provided to employees comply with the requirements of laws and regulations, we adopt the policy of same pay for the same work, and prohibit any form of discrimination. Wistron also conducts a salary survey every year and adjusts salaries based on the economy, company operations and personal performance to ensure that employee salaries are fair and in line with market standards. In addition, Wistron establish the Personnel Reward and Punishment Regulation to ensure full implementation of corporate governance.</p>	None

Item	Enforcement		
	Yes	No	
<p>2. Environmentally Sustainable Development</p> <p>(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(2) Has the Company set an Environmental management system designed to industry characteristics?</p> <p>(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy</p>	<p>✓</p> <p>✓</p> <p>✓</p>		
<p>3. Promotion of Social Welfare</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(2) Has the Company established appropriately managed employee appeal procedures?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p> <p>(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		

	<b>Enforcement</b>	<b>Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</b>
	<b>Summary</b>	
	<p>(1) Please refer to “Implementing Environmental Protection” section of Wistron CSR Report.</p> <p>(2) Please refer to “Implementing Environmental Protection” section of Wistron CSR Report.</p> <p>(3) Please refer to “Gas Emissions Management” section of Wistron CSR Report.</p>	None
	<p>(1) Wistron complies with human rights related international regulations and local policies, and protect employees’ rights and benefits. All the systems within our company are in compliance with local labor laws, and the related procedures are announced to employees on company’s internal website.</p> <p>(2) Wistron has a complaint mechanism, channel, and a handling procedure for all employees. Employees are free to raise compliant and all complaints will be treated sensitively and confidentially.</p> <p>(3) Wistron complies with “Occupational Safety and Health Act” and set up medical kits and trained first-aid personnel in all departments, all new employees and employees who changed to specific jobs are required to undergo a 3-hour safety and health trainings. Breastfeeding Rooms are set in the workplace in compliance with “Act of Gender Equality in Employment”. Furthermore, emergency control units and emergency response plan are established to properly handle emergency such as power outage, fire, flood, typhoon, earthquake, injuries which may cause permanent or temporary disability, notifiable disease such as SARS, water pollution or any other emergency event that may endanger lives or cause financial loss or environmental pollution.</p> <p>(4) Company’s information is released via different types of channel including internal routine meetings, intranet, electronic bulletin boards, announcements, regular business information meetings and employee-employer communication meetings, so that employees are able to learn important management-related information.</p>	None

Item	Enforcement		
	Yes	No	
(5) Has the Company established effective career development training plans?	✓		
(6) Has the Company set policies and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	✓		
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	✓		
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	✓		
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	✓		
4. Enhanced Information Disclosure			
(1) Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	✓		

<b>Enforcement</b>	<b>Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</b>
<b>Summary</b>	
<p>(5) The main direction of Wistron’s training and development program is to integrate business needs with employee career development, and “talent management and development” is always listed as an important management indicator. In this regard, we divide our training program into distinctive categories and manners for employees in different needs, we also work with consultants for many years and conduct programs of individual development plan (IDP) by using core competency approach. After years of implementation, we have nurtured several high-level business talents in each Business unit every year.</p> <p>(6) Wistron is an ODM (original design manufacturer) supplier and do not offer products/services to end user directly, those are all handled by brand customers. As to customer relationship management and complaint channel of suppliers, please refer to “Sustainable Product Design and Development” and “Conflict Minerals and Supply Chain Management” sections of Wistron CSR Report.</p> <p>(7) Please refer to “Sustainable Product Design and Development” section of Wistron CSR Report.</p> <p>(8) We will do vendor survey before we start business with suppliers and the checking item is already included in the survey.</p> <p>(9) The purchase contract and RBA (Responsible Business Alliance) Letter of Agreement with suppliers enable us to cease the purchase contract anytime if there is any violation of the regulations.</p>	None
<p>(1) A CSR section has been created on website to disclose CSR progress in which is further divided into CSR report, Responsible Business Alliance, Wistron Foundation, and Stakeholder Communication.</p> <p>Wistron released annual CSR report on Wistron website since 2010.</p> <p>In addition, Wistron also uploaded greenhouse gas data annually onto the Market Observation Post System where stakeholders are able to access at any time.</p>	None

Item	Enforcement	
	Yes	No
<p>5. If the company has established its corporate social responsibility code of practice according to “Listed Companies Corporate Social Responsibility Code of Practice,” please describe the operational status and differences.</p> <p>In order to manage economic, environmental and social risks and impact, Wistron has established “Corporate Social Responsibility Best Practice Principles”, our daily operations follow the principles below:</p> <p>(1) Exercise corporate governance.  (2) Foster a sustainable environment.  (3) Preserve social welfare.  (4) Enhance disclosure of corporate social responsibility information.</p> <p>Above no discrepancy occurred.</p>		
<p>6. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility:</p> <p>Please refer to Wistron’s website for our CSR Report of implementation status: <a href="https://www.wistron.com">https://www.wistron.com</a></p>		
<p>7. Other information regarding “Corporate Responsibility Report ” which are verified by certification bodies:</p> <p>Wistron’s CSR Report followed the Global Reporting Initiative (GRI). The contents of this report have been verified by an independent third party based on the AA1000 standards and comply with GRI standards core level requirements.</p>		

<b>Enforcement</b>	<b>Deviation from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons</b>
<b>Summary</b>	

**3.4.6. Enforcement of Ethical Corporate Management**

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



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

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

### **3.4.7 Inquiry on corporate governance principles and related regulations of this Company**

Please refer to the Company’s website or Market Observation Post System.

### **3.4.8 Other information material to the understanding of corporate governance within the Company** : None

	<b>Implementation Status</b>	<b>Specify the difference</b>
	<b>summary</b>	
	<p>(4) We conduct evaluation and self-audit of the effectiveness of internal control system, including accounting system with considered changes in the business environment, and make appropriate modifications if necessary, The result will be reviewed by Audit Office based on good faith.</p> <p>(5) The new employees on the first day of employment and the new supervisor are required to take ethic/integrity e-learnings courses. All employees are required to conduct regular e-learning courses and results tests.</p>	No discrepancy
	<p>(1) All employees have the duty to report directly to independent board of director, highest level of management of HR, Audit Office or Chairman the improper conduct that is against the ethical conduct of the company. If employees violate the Code of Ethical Conduct, we will consider the severity of the violation, and conduct proper action, including dismissal, based on “Guidelines on Employee Award/Disciplinary”. If business partners violate our integrity policy, we will consider the severity of the violation to reduce or terminate our cooperation, or even report to the judicial authorities.</p> <p>(2) Wistron establishes internal complaint procedure, which provides a clear process for complaint addressing, investigation, complaint resolution, etc., All complainants are treated sensitively and confidentially.</p> <p>(3) The complainant and respondent who involved in reporting or investigation of the events are free from injustice or retaliation.</p>	No discrepancy
	<p>(1) On Wistron official website, we disclose the actions and commitments to our ethics policy and RBA (Responsible Business Alliance) code of conduct. We also disclose the ethical conduct implementation in our CSR Report.</p>	No discrepancy

### **3.4.9. Internal Control System Execution Status**

#### **A. Statement on Internal Control**

#### **Wistron Corporation Statement on Internal Control**

Date: March 25, 2019

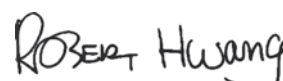
Based on the findings of a self-assessment, Wistron Corporation (Wistron) states the following with regard to its internal control system during the year 2018 :

1. Wistron's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Wistron takes immediate remedial actions in response to any identified deficiencies.
3. Wistron evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Wistron has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Wistron believes that, as of December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Wistron's annual report for the year 2018 and Prospectus, and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the board of directors in their meeting held on March 25, 2019, with none of the nine attending directors expressing dissenting opinions. All attending directors have affirmed the content of this Statement.

Wistron Corporation

Chairman : Simon Lin

President : Robert Hwang

**B. if CPA was retained to conduct a special audit of the internal control system, disclose the audit report :** None.

**3.4.10 Legal penalties by competent authority to the Company or its employees, and the Company's punishment on its employees for violation of internal control system, major deficiencies and improvement measures in the most recent year and as of the publication of this annual report**

In 2018, no legal penalty was taken against the Company and its employees by any competent authority. For identified violation of the Company's internal control system, punishments were issued accordingly and relevant supervisions for improvements were adopted.

**3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

**A. Major Resolutions of Shareholders' Meeting**

Date	Important resolution	Implementation Status
2018.06.14	1. Ratification of 2017 Business Report and Financial Statements as proposed.	To implement in accordance with the resolutions.
	2. Ratification of the proposal for distribution of 2017 profits as proposed.	Since the Company's total numbers of shares outstanding were changed after the shareholders meeting, the payout ratio of cash and stock dividends were changed to NT\$1.17483834 and NT\$0.2937095 by board of directors. The cash and stock dividends were allocated on August 24, 2018
	3. Approval of the capitalization of part of 2017 profits through issuance of new shares as proposed.	The board of directors resolved the ex-rights record date on August, 2018 and stock dividends were allocated on August 24, 2018.
	4. Approval of issuance no more than 260 million of new common shares for cash to sponsor issuance of GDR as proposed.	Due to drastic changes in worldwide political and economic situation hampered the share price in 2018, the Company decides to withdraw the GDR fundraising plan of 2018.
	5. Approval of amendments to the "Procedures of Asset Acquisition and Disposal" as proposed.	The amended "Procedures of Asset Acquisition and Disposal" were implemented on June 14, 2018.
	6. Approval of amendments to the "Procedures Governing Loaning of Funds" as proposed.	The amended "Procedures Governing Loaning of Funds" were implemented on June 14, 2018.
	7. Approval of amendments to the "Procedures Governing Endorsements and Guarantees" as proposed.	The amended "Procedures Governing Endorsements and Guarantees" were implemented on June 14, 2018.
	8. Approval of the release of the prohibition on newly-elected directors and their corporate representatives from participation in competitive business as proposed.	The resolution entered into force upon passage in the shareholders' meeting.

## B. Major Resolutions of Board Meetings

	Date	Important resolution	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions
1st Board Meeting of 2018	2018.02.02	1. Approval of the investment proposal with maximum amount of US\$175 million at Wistron InfoComm Manufacturing (Kunshan) Co., Ltd..			V	Resolved
		2. Approval of the new investment of US\$55 million in Wistron InfoComm Manufacturing (India) Private Limited (tentative name) through SMS InfoComm (Singapore) Pte. Ltd..			V	Resolved
		3. Approval of the US\$26.8 million investment in China Renewable Energy Fund.			V	Resolved
		4. Approve of the application for bank facility.				
		5. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
2nd Board Meeting of 2018	2018.03.13	1. Approval of the salary adjustment to the managers (excluding CSO) in 2018.	V	Resolved		
		2. Approval of the performance bonus budget to the managers in 2018.	V	Resolved		
		3. Approval of the proposal for transferring treasury stocks to the managers (excluding CSO).	V	Resolved		
		4. Approval of the compensation for employees and directors of 2017.	V	Resolved	V	Resolved
		5. Approval of the proposal of 2017 employees' compensation payout ratio and amount to the managers (excluding CSO).	V	Resolved		
		6. Approval of the proposal of 2017 employees' compensation payout ratio and amount to CSO.	V	Resolved		
		7. Approval of the salary adjustment to CSO in 2018.	V	Resolved		
		8. Approval of the proposal for transferring treasury stocks to CSO.	V	Resolved		
		9. Approval of the offering of newly issued common shares in the form of GDR.			V	Resolved
		10. Approval of the offering of no more than 260 million newly issued common shares in the form of GDR			V	Resolved
		11. Approval of the business plan of 2018.				
		12. Approval of the business report of 2017.			V	Resolved

	Date	Important resolution	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions
2nd Board Meeting of 2018	2018.03.13	13. Approval of the parent-company-only and consolidated financial statements of 2017.			V	Resolved
		14. Approval of the proposal for 2017 earnings distribution.			V	Resolved
		15. Approval of the capitalization of part of 2017 profits through issuance of new shares.			V	Resolved
		16. Approval of the election of the 8th Directors, including Independent Directors.				
		17. Approval of the candidate nomination of the 8th Directors, including Independent Directors.				
		18. Approval of the release of the prohibition on newly-elected directors and their corporate representatives from participation in competitive business by shareholder meeting.				
		19. Approval of the amendments to the “Procedures of Asset Acquisition and Disposal”.			V	Resolved
		20. Approval of the amendments to the “Procedures Governing Loaning of Funds”.			V	Resolved
		21. Approval of the amendments to the “Procedures Governing Endorsements and Guarantees”.			V	Resolved
		22. Approval of the time, venue and agenda of 2018 general shareholders’ meeting.				
		23. Approval of the participation in Wywynn’s new shares offering.			V	Resolved
		24. Approved KPMG as audit accountants in 2018.			V	Resolved
		25. Approval of Internal Control System Statement of 2017.			V	Resolved
		26. Approval of the application for US\$600 million Syndication Loan led by Mega International Commercial Bank.				
27. Approve of the application for bank facility.						
28. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved		

	Date	Important resolution	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions
3rd Board Meeting of 2018	2018.04.27	1. Approval of the qualifications of candidate of the 8th Directors, including Independent Directors. 2. Approval of acquiring or disposing of equipment held for business use with subsidiaries. 3. Approve of the application for bank facility. 4. Approval of increase or decrease amount of endorsements and guarantees. Extraordinary motions 1. Approve to amend the number of issuance shares of employees' compensation.	V	Resolved	V	Resolved
4th Board Meeting of 2018	2018.05.11	1. Approval of consolidate financial statements of 2018Q1. 2. Approve of the application for bank facility. 3. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
5th Board Meeting of 2018	2018.06.14	1. Approval of Mr. Simon Lin as the Chairman by the Board of Directors.				
6th Board Meeting of 2018	2018.07.09	1. Approve to appoint the members of 4th Compensation Committee. 2. Approval of the cancellation of the 1st treasury shares of year 2015 and the record date of capital reduction. 3. Approval of ex-rights and ex-dividend record date of year 2018. 4. Approval of the working capital allocation ratio to Wistron Foundation. 5. Approval of the application of AR factoring from Chang Hwa Bank. 6. Approve of the application for bank facility. 7. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
7th Board Meeting of 2018	2018.08.10	1. Approval of the performance bonus to general managers in 2018 first half of the year. 2. Approval of the directors' compensation (including transportation allowance) of 2017. 3. Approval of consolidated financial statements of 2018Q2.	V	Resolved	V	Resolved



	Date	Important resolution	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions
7th Board Meeting of 2018	2018.08.10	4. Approval new investment of NT\$800 million in Wistron Medical Tech Holding Company.			V	Resolved
		5. Approval of setting "Procedures for Handling Charitable Donations or Sponsorships".			V	Resolved
		6. Approval of the amendments to the "Internal Control Systems of Shareholder Services Units".			V	Resolved
7th Board Meeting of 2018	2018.08.10	7. Approve of the application for bank facility.			V	Resolved
		8. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
8th Board Meeting of 2018	2018.08.14	1. The payout ratio of cash dividends and stock dividends of year 2017 have been amended by the BOD			V	Resolved
9th Board Meeting of 2018	2018.11.09	1. Approval of consolidated financial statements of 2018Q3.			V	Resolved
		2. Approval of the cancellation of the 2nd treasury shares of year 2015 and the record date of capital reduction.			V	Resolved
		3. Approval of the amendments to the "Codes of Ethical Conduct".				
		4. Approval of acquiring or disposing of equipment held for business use with subsidiaries.				
		5. Approve of the application for bank facility.				
		6. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
10th Board Meeting of 2018	2018.12.21	Extraordinary motions				
		1. Approve to confirm the intention to support the investment structure of 100% holding in Wistron InfoComm Manufacturing (India) Private Limited with the amount not exceeding INR 2,311.62 Crores and provide funding.	V	Resolved		
		2. Approval of increase managers.	V	Resolved		
		3. Approval of setting "Principles of Directors' and Functional Committees' Compensation".	V	Resolved		

	Date	Important resolution	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions
10th Board Meeting of 2018	2018.12.21	4. Approval of the amendments to the “IFRSs Accounting Principal”.			V	Resolved
		5. Approval of 2019 Annual Audit Plans.			V	Resolved
		6. Approve of the application for bank facility. 7. Approval of increase or decrease amount of endorsements and guarantees.			V	Resolved
1st Board Meeting of 2019	2019.03.05	1. Approval of the amendments to the “Articles of Incorporation”.	V	Resolved		
		2. Approval of the changes in Organization.	V	Resolved		
		3. Approval of the promotion of managers.				
2nd Board Meeting of 2019	2019.03.25	1. Approval of the salary adjustment to the managers (excluding CSO) in 2019.	V	Resolved		
		2. Approval of the performance bonus budget to the managers (excluding CSO) in 2019.	V	Resolved		
		3. Approval of the compensation for employees and directors of 2018.	V	Resolved		
		4. Approval of the proposal of 2018 employees’ compensation payout ratio and amount to the managers (excluding CSO).	V	Resolved		
		5. Approval of the proposal of 2018 employees’ compensation payout ratio and amount to CSO.	V	Resolved		
		6. Approval of the salary adjustment to CSO in 2019.	V	Resolved		
		7. Approval of the performance bonus budget to CSO in 2019.	V	Resolved		
		8. Approval of the business plan of 2019.				
		9. Approval of the business report of 2018.			V	Resolved
		10. Approval of the parent-company-only and consolidated financial statements of 2018.			V	Resolved
		11. Approval of the proposal for 2018 earnings distribution.				

	Date	Important resolution	Compensation Committee		Audit Committee		
			Agenda	Resolutions	Conditions described in Article 14-5 of the Securities and Exchange Act	Resolutions	
2nd Board Meeting of 2019	2019.03.25	12. Approval 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.			V	Resolved	
		13. Approval of the amendments to the “Procedures of Asset Acquisition and Disposal”.			V	Resolved	
		14. Approval of the amendments to the “Procedures Governing Loaning of Funds”.			V	Resolved	
		15. Approval of the amendments to the “Procedures Governing Endorsements and Guarantees”.			V	Resolved	
		16. Approval of the amendments to the “Rules and Procedures of Board of Directors Meeting”.					
		17. Approval of the time, venue and agenda of 2019 general shareholders’ meeting.					
		18. Approved KPMG as audit accountants in 2019.				V	Resolved
		19. Approval of the changing of CPA for internal adjustments within the KPMG.				V	Resolved
		20. Approval of the amendments to the “Corporate Governance Best Practice Principles” and designation of Company Secretary.					
		21. Approval of Internal Control System Statement of 2018.				V	Resolved
		22. Approve of the application for opening an Offshore Banking Account with Bank of Communications.					
		23. Approve of the application for bank facility.					
24. Approval of increase or decrease amount of endorsements and guarantees.					V	Resolved	

**3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None.**

**3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D : None.**

**3.5 Information Regarding the Company's Audit Fee and Independence**

A. Non-audit fee should be distinguished by service item. If the "Others" item amounts to more than 25% of total non-audit fees, a detailed breakdown must be provided in the Remarks column : Yes.

B. If a change of accounting firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee in chronological order. Please also state the reason for such changes in the Remarks column : None.

C. If audit fee is reduced by 15% or more from the previous year, the amount, percentage and reason for reduction must be disclosed : None.

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Li- Ly, Lu	2018/01~2018/12	
	Chia-Hsin, Chang		

Note : If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Audit Fee brackets table

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000				
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000		V		7,894
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$10,000,000			V	22,302

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Subtotal (Note)	Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others				
KPMG	Li-Ly, Lu , Chia-Hsin, Chang	7,894				22,302	22,302	2018/01~ 2018/12		

Note : Capital increase from retained earnings, GDR prospectus and tax consulting service fee

### **3.6 Replacement of CPA : None.**

### **3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed : None.**

### 3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2018		As of Apr. 14, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & CSO	Simon Lin	2,309,013	0	0	0
Director & President	Robert Hwang	2,663,826	0	(90,000)	0
Director	Wistron NeWeb Corp.(Note 6)	-	-	0	0
	Representative: Haydn Hsieh (Note 1)	32,039	0	0	0
Director	Philip Peng(Note 6)	-	-	0	0
Independent Director	Jack Chen(Note 6)	-	-	0	0
Independent Director	S. J. Paul Chien(Note 6)	-	-	0	0
Independent Director	C.H. Chen(Note 6)	-	-	0	0
Independent Director	Christopher Chang(Note 6)	-	-	0	0
Independent Director	Sam Lee(Note 6)	-	-	0	0
Director	Stan Shih(Note 2)	-	-	-	-
Independent Director	John Hsuan(Note 2)	-	-	-	-
Independent Director	Michael Tsai(Note 2)	-	-	-	-
Independent Director	James K.F. Wu(Note 2)	-	-	-	-
Independent Director	Duh-Kung Tsai(Note 2)	-	-	-	-
Independent Director	Victor C.J. Cheng(Note 2)	-	-	-	-
Chief of Staff Officer	Frank F.C. Lin	(116,308)	0	0	0
Chief Technology Officer	Donald Hwang	(92,542)	0	0	0
WT CEO	Jeff Lin	(309,855)	0	0	0
WSD CEO	David Shen	181,251	0	0	0
General Auditor	M.Y. Lin	185,574	0	0	0
Chief Digital Officer	Kenny Wang	382,587	0	0	0
Chief Finance Officer	Stone Shih	441,790	(500,000)	0	0
WT President of SBG	William Lin	(131,752)	0	(328,000)	0
Technical Vice President	Kelvin Chang	374,659	0	0	0
Strategy Planning Office Vice President	KY Wang	0	0	0	0
WT President of CPBG	Robert CL Lin (Note 3 )	-	-	0	0
WSD President of CBG	Vincent Cho (Note 3 )	-	-	0	0
WSD Operations President	James Chou (Note 3 )	-	-	0	0
WT Operations President	Jackie Lai (Note 4 )	-	-	-	-
WT Vice President of CPBG	Felix Lai (Note 3 )	-	-	0	0
WT Vice President of SBG	Peter Tung (Note 3 )	-	-	0	0
Vice President	R.R. Chang (Note 5 )	-	-	-	-

Note 1 : Haydn Hsieh was elected as Wistron's director as the legal representative of Wistron NeWeb Corporation at the Annual Shareholders Meeting on June 14, 2018.

Note 2 : The directors were resignation after the Annual Shareholders Meeting on June 14, 2018.

Note 3 : Newly-appointed on December 22, 2018

Note 4 : Newly-appointed on March 5, 2019

Note 5 : Resigned on May 1, 2018

Note 6 : Newly-elected on June 14, 2018

**3.8.1 Shares Trading with Related Parties :** None.

**3.8.2 Shares Pledge with Related Parties :** None.

### **3.9 Relationship among the Top Ten Shareholders(April 14, 2019)**

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Norges Bank	57,513,944	2.02	0	0	0	0	None	None	
Acer Incorporated Representative: Jason Chen	54,815,995	1.93	0	0	0	0	None	None	
	-	-	-	-	-	-	None	None	
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	45,443,405	1.60	0	0	0	0	None	None	
JPMorgan Chase Bank N.A. , Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	44,247,107	1.56	0	0	0	0	None	None	
Dimensional Emerging Markets Value Fund	43,725,343	1.54	0	0	0	0	None	None	
Lin, Hsien-Ming	43,599,252	1.53	1,544	0	0	0	None	None	
Management Board of Public Service Pension Fund	42,713,163	1.50	0	0	0	0	None	None	
Wistron NeWeb Corp. Representative: Haydn Hsieh	28,796,209	1.01	0	0	0	0	None	None	
	1,122,911	0.04	13,271	0	0	0	None	None	
iShares Core MSCI Emerging Markets ETF	28,415,004	1.00	0	0	0	0	None	None	
Morgan Stanley & Co. International Plc	27,748,378	0.98	0	0	0	0	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/ Supervisors/ Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Cowin Worldwide Corporation	188,393,915	100.00	0	0	188,393,915	100.00
Win Smart Co., LTD	484,065,492	100.00	0	0	484,065,492	100.00
Wise Cap Limited Company	(Note 2)	100.00	0	0	(Note 2)	100.00
Wistron NeWeb Corporation	89,674,679	23.99	8,761,157	0.08	98,435,836	24.07
INTERNATIONAL STANDARDS LABORATORY CORP.	2,094,462	100.00	0	0	2,094,462	100.00
WiAdvance Technology Corporation	19,998,536	99.99	0	0	19,998,536	99.99
SMS Infocomm Corporation	4,832,686	100.00	0	0	4,832,686	100.00
Wistron Mexico S.A. de C.V.	293,453,615	100.00	0	0	293,453,615	100.00
AII Holding Corp.	347,485,702	100.00	0	0	347,485,702	100.00
Wistron InfoComm (Philippines) Corporation	139,567,270	100.00	0	0	139,567,270	100.00
SMS InfoComm (Singapore) Pte. Ltd.	112,489,410	100.00	0	0	112,489,410	100.00
Wistron LLC	5,436,000	100.00	0	0	5,436,000	100.00
WisVision Corporation	12,005,000	100.00	0	0	12,005,000	100.00
Wistron Europe Holding Cooperatie U.A.	(Note 2)	99.99	(Note 2)	0.01	(Note 2)	100.00
SMS InfoComm Technology Services and Management Solutions Ltd	37,242,500	99.99	5,000	0.01	37,247,500	100.00
SMS InfoComm Technology Services Limited Company	21,978	99.90	22	0.10	22,000	100.00
Wistron GreenTech(Texas) Corporation	13,005	100.00	0	0	13,005	100.00
Wistron Advanced Materials(Hong Kong)Limited	33,500,000	100.00	0	0	33,500,000	100.00
WiseCap (Hong Kong) Limited	58,445,950	100.00	0	0	58,445,950	100.00
WISTRON TECHNOLOGY (MALAYSIA) SDN.BHD.	80,000,000	100.00	0	0	80,000,000	100.00
Service Management Solutions Mexico SA DE CV	36,429,340	100.00	0	0	36,429,340	100.00
Service Management Solutions Colombia S.A.S.	559,179	100.00	0	0	559,179	100.00
Wistron Mobile Solutions Corporation	20,000	100.00	0	0	20,000	100.00
Wiwynn Corporation	77,814,129	51.18	18,160,895	6.32	95,975,024	57.50
Anwith Technology Corporation	1,000,000	100.00	0	0	1,000,000	100.00
WiEDU Holding Co., Ltd.	5,700,000	100.00	0	0	5,700,000	100.00
Wistron InfoComm(Czech), s.r.o.	(Note 2)	100.00	0	0	(Note 2)	100.00
WiEdu Hong Kong Limited	11,426,000	100.00	0	0	11,426,000	100.00
Wistron Medical Tech Holding Company	200,000,000	100.00	0	0	200,000,000	100.00
Wistron Digital Technology Holding Company	63,431,000	100.00	0	0	63,431,000	100.00
ANWITH SERVICE CO., LTD.	3,798,800	100.00	0	0	3,798,800	100.00
Anwith Corporation	75,000	100.00	0	0	75,000	100.00
SMS Infocomm Global Service (CQ)	(Note 2)	100.00	0	0	(Note 2)	100.00
SMS INFOCOMM CHILE SERVICIOS LIMITADA	(Note 2)	100.00	0	0	(Note 2)	100.00
Wistron Technology Service (America) Corporation	35,000	100.00	0	0	35,000	100.00
Super Elite Ltd.	1,536,893	23.90	0	0	1,536,893	23.90
Information SuperGrid Technology Global Inc.	5,000	40.00	0	0	5,000	40.00
Information SuperGrid Technology China Limited	5,000	40.00	0	0	5,000	40.00
HERACLES ENTERPRISES LIMITED	330	30.00	0	0	330	30.00
Formosa Prosonic Industries Berhad	69,260,000	28.00	0	0	69,260,000	28.00
Join-Link International Technology Co. Ltd.	57,888,880	41.03	5,525,565	3.92	63,414,445	44.95
Smartiply, Inc	2,723,682	23.68	0	0	2,723,682	23.68
Optiemus Electronics Limited	2,760,000	19.91	0	0	2,760,000	19.91
WIBASE INDUSTRIAL SOLUTIONS INC.	17,888,000	46.10	620,000	0.71	18,508,000	46.81
T-CONN PRECISION CORPORATION	3,008,630	16.63	1,183,050	6.54	4,191,680	23.17

Note 1: Long investment of the Company

Note 2: It is the limited company.



### **3.11 Corporate Sustainability and Social Responsibility Management**

Wistron is committed to establishing a corporate sustainability and social responsibility (CSR) management system that will exceed local regulatory and ethical standards. The development of high-quality green products and services will also be complemented by protection of the environment as well as employee health, safety and human rights in order to protect stakeholders' interests.

The CSR management system constructed by the company covers five management systems including quality, green products, environmental protection, occupational safety and health, and social responsibility, etc. Each management system is established by adopting a corresponding international standard such as ISO9001, IECQ QC080000, ISO14001/14064-1/50001, OHSAS18001, and SA8000/RBA. The contents are as follows:

#### **(1) Quality Management System**

Wistron values its customers and the quality of its products and services and follows international quality standards during R&D and manufacturing processes in order to deliver defect-free, competitive products and services to its customers on time.

Since 1992, the quality management systems implemented in the worldwide major manufacturing sites have successively passed the verification conducted by international certification bodies and obtained the international standard ISO9001 certificate.

#### **(2) Green Product Management System**

In order to reduce the environmental load caused by a product in its life cycle, while developing the product, Wistron upholds the concept to green product design as energy conservation, material reduction, hazardous substance restriction, and recycling. In addition, Wistron follows international regulations and customer requirements and dedicates itself to simplify its design, production and operation processes to reach product Earth-friendly and environment sustainability. Since 2006, the hazardous substance process management systems implemented in the worldwide major manufacturing plants have successively passed the verification conducted by international certification bodies and obtained the international standard IECQ QC080000 certificate.

#### **(3) Environmental Management System**

Wistron understands that its activities, products, and services will influence the environment. To minimize the impact to the environment, Wistron is committed to the zero usage of restricted and banned materials and substances, the conservation of energy usage, and the implementation of recycling programs for our wastes. Through green product program, we carefully select raw materials and suppliers and actively promote pollution reduction by adopting Earth-friendly technologies wherever feasible.

Since 1997, the environmental management systems implemented in the worldwide major manufacturing sites have successively passed the verification conducted by international certification bodies and obtained the international standard ISO14001 certificate.

Moreover, the greenhouse gas (GHG) emission management system of each major manufacturing site has successively passed the international third-party party's verification and obtained the international standard ISO14064-1 certificate.

Also, since 2013, the energy management systems in Taiwan area (including Neihu headquarters, Hsichih Office Complex, Hsinchu Plant), Zhongshan Plant, Chongqing Plant, and Chengdu Plant have successively passed the verification conducted by international certification bodies and obtained the international standard ISO50001 certificate.

#### (4) Occupational Health and Safety Management System

Wistron is fully aware of the hazards and risks in the workplace that affect all employees (including employees, temporary staff, contractors, visitors and others) working within the company's control area. In order to prevent the injury and unhealthy incidents from happening to our employees, we promise to establish an occupational safety and health management system to ensure that employees work in a healthy and harm-free environment. Since 2003, the occupational safety and health management systems of the major manufacturing sites around the world have successively passed the verification conducted by international certification bodies and obtained the international standard OHSAS18001 certificate.

#### (5) Social Accountability Management System

Wistron is committed to abiding by social-responsibility-related international and regulations and continuously improves the rights and benefits of our employees with fulfilling its social responsibility by establishing an honest, healthy and safe operating environment.

Since 2007, the social accountability management systems of the major manufacturing sites around the world have been audited by customers or their designated international third-party certification body.

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

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## 4.1 Capital and Shares (April 14, 2019)

### 4.1.1 Changes in share capital

#### A. Type of Stock

Unit : Shares

Shares Category	Authorized capital				Notes
	Issued shares (note)		Non-issued	Total	
	Listed	Non-listed			
Common shares	2,842,121,950	0	1,157,878,050	4,000,000,000	Stock option 200,000,000 shares

Note : Issued shares including treasury stock 24,362,000 shares.

#### B. Issued Shares

As of 04/14/2019

Month/ Year	Par Value (NT\$)	Authorized Capital		Authorized Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2001.05	10	1,000	10,000	1,000	10,000	Issuance of Shares	None	
2001.08	10	350,000	3,500,000	100,000	1,000,000	New issuance of Shares	None	
2002.04	14.5	905,000	9,050,000	500,000	5,000,000	Consideration to purchase assets from Acer	None	
2002.07	22.5	905,000	9,050,000	800,000	8,000,000	New issuance of Shares	None	
2003.03	14.5	905,000	9,050,000	809,962	8,099,620	Issuance of employee stock option	None	
2003.08	14.5	905,000	9,050,000	811,797	8,117,970	Issuance of employee stock option	None	
2003.11	10/ 14.5	1,125,000	11,250,000	870,925	8,709,251	New issuance of Shares and issuance of employee stock option	None	
2004.04	13.8	1,125,000	11,250,000	882,399	8,823,991	Issuance of employee stock option	None	
2004.09	10/ 13.8	1,223,700	12,237,000	948,991	9,489,911	New issuance of Shares and issuance of employee stock option	None	
2005.01	13.1	1,223,700	12,237,000	949,314	9,493,141	Issuance of employee stock option	None	
2005.04	13.1	1,223,700	12,237,000	950,741	9,507,411	Issuance of employee stock option	None	
2005.06	13.1	1,600,000	16,000,000	958,391	9,583,910	Issuance of employee stock option	None	
2005.10	30.78/ 29.67/ 13.1	1,600,000	16,000,000	1,140,568	11,405,689	New issuance of GDR and issuance of employee stock option and issuance of ECB transferred.	None	
2006.01	29.44/ 13.1	1,600,000	16,000,000	1,178,274	11,782,742	Issuance of employee stock option and issuance of ECB transferred.	None	
2006.04	29.44/ 13.1	1,600,000	16,000,000	1,196,362	11,963,621	Issuance of employee stock option and issuance of ECB transferred.	None	

Month/ Year	Par Value (NT\$)	Authorized Capital		Authorized Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2006.08	10	1,600,000	16,000,000	1,272,356	12,723,568	New issuance of Shares	None	
2007.08	10	2,000,000	20,000,000	1,381,926	13,819,261	New issuance of Shares	None	
2008.07	47.27	2,000,000	20,000,000	1,405,926	14,059,261	Issuance of common stocks through private placement	None	
2008.09	10	2,000,000	20,000,000	1,516,637	15,166,367	New issuance of Shares	None	
2009.07	49	2,500,000	25,000,000	1,666,637	16,666,367	New issuance of GDR	None	
2009.08	10	2,500,000	25,000,000	1,850,616	18,506,158	New issuance of Shares	None	
2010.02	46.7	2,500,000	25,000,000	1,864,269	18,642,688	Issuance of employee stock option	None	
2010.04	46.7	2,500,000	25,000,000	1,869,794	18,697,938	Issuance of employee stock option	None	
2010.05	46.7	2,500,000	25,000,000	1,870,270	18,702,698	Issuance of employee stock option	None	
2010.08	10	2,500,000	25,000,000	1,963,783	19,637,833	New issuance of Shares	None	
2010.09	46.7/ 42.5	2,500,000	25,000,000	1,964,133	19,641,333	Issuance of employee stock option	None	
2010.11	42.5	2,500,000	25,000,000	1,965,007	19,650,073	Issuance of employee stock option	None	
2011.03	42.5	2,500,000	25,000,000	1,985,579	19,855,793	Issuance of employee stock option	None	
2011.05	42.5	2,500,000	25,000,000	1,986,152	19,861,523	Issuance of employee stock option	None	
2011.09	10/ 42.5	3,000,000	30,000,000	2,084,881	20,848,812	New issuance of Shares and issuance of employee stock option	None	
2012.01	37.6	3,000,000	30,000,000	2,084,997	20,849,972	Issuance of employee stock option	None	
2012.04	49.3/ 37.6	3,000,000	30,000,000	2,093,173	20,931,733	Issuance of employee stock option and issuance of ECB transferred.	None	
2012.05	37.6	3,000,000	30,000,000	2,094,015	20,940,153	Issuance of employee stock option	None	
2012.08	10	3,000,000	30,000,000	2,197,943	21,979,432	New issuance of Shares	None	
2013.04	33.6	3,000,000	30,000,000	2,197,969	21,979,692	Issuance of employee stock option	None	
2013.08	10	3,000,000	30,000,000	2,315,140	23,151,403	New issuance of Shares and cancellation of treasury stocks.	None	
2013.09	10	3,000,000	30,000,000	2,377,935	23,779,353	Issuance of Restricted Stock Awards to key employees	None	
2013.11	29.2	3,000,000	30,000,000	2,378,160	23,781,603	Issuance of employee stock option	None	
2014.08	10/ 29.2/ 10	3,000,000	30,000,000	2,447,599	24,475,994	New issuance of Shares. Issuance of employee stock option Cancellation of Restricted Stock Awards to key employees	None	
2014.11	26.6	3,000,000	30,000,000	2,468,267	24,682,674	Issuance of employee stock option	None	

Month/ Year	Par Value (NT\$)	Authorized Capital		Authorized Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2015.08	10/ 10	3,000,000	30,000,000	2,555,482	25,554,824	New issuance of Shares. Cancellation of Restricted Stock Awards to key employees	None	
2016.07	10	4,000,000	40,000,000	2,579,503	25,795,025	New issuance of Shares.	None	
2016.08	10	4,000,000	40,000,000	2,652,136	26,521,362	New issuance of Shares.	None	
2016.11	10	4,000,000	40,000,000	2,650,316	26,503,164	Cancellation of Restricted Stock Awards to key employees	None	
2017.06	10	4,000,000	40,000,000	2,673,807	26,738,065	New issuance of Shares.	None	
2017.08	10	4,000,000	40,000,000	2,749,861	27,498,607	New issuance of Shares.	None	
2017.11	10	4,000,000	40,000,000	2,748,688	27,486,880	Cancellation of Restricted Stock Awards to key employees	None	
2018.06	10	4,000,000	40,000,000	2,778,828	27,788,282	New issuance of Shares.	None	
2018.07	10	4,000,000	40,000,000	2,765,573	27,655,735	Cancellation of treasury stocks	None	
2018.08	10	4,000,000	40,000,000	2,845,778	28,457,785	New issuance of Shares.	None	
2018.11	10	4,000,000	40,000,000	2,842,122	28,421,220	Cancellation of treasury stocks	None	

#### 4.1.2 Shareholding Structure

Date : April 14, 2019

Category/ Number	Government Institution	Financial Institution	Other Institution	Individual	FINI	Treasury Stocks	Total
No. of Shareholders	4	4	296	205,388	833	1	206,526
No. of Shareholding	63,106,014	2,886,728	187,848,756	1,459,273,518	1,104,644,934	24,362,000	2,842,121,950
Percentage (%)	2.22	0.10	6.61	51.34	38.87	0.86	100.00

#### 4.1.3 The Distribution of Shareholdings

Date : April 14, 2019

Category by shareholdings	No. of Shareholders	Number of Shares	Percentage(%)
1 ~ 999	71,231	14,599,217	0.51
1,000 ~ 5,000	83,283	179,435,631	6.31
5,001 ~ 10,000	22,769	155,811,071	5.48
10,001 ~ 15,000	11,467	133,860,308	4.71
15,001 ~ 20,000	4,298	74,522,815	2.62
20,001 ~ 30,000	5,232	123,906,061	4.36
30,001 ~ 50,000	3,670	139,300,721	4.90
50,001 ~ 100,000	2,476	167,569,375	5.90
100,001 ~ 200,000	1,087	145,545,433	5.12
200,001 ~ 400,000	498	136,743,985	4.81
400,001 ~ 600,000	161	78,312,677	2.76
600,001 ~ 800,000	82	57,315,128	2.02
800,001 ~ 1,000,000	44	39,634,552	1.39
1,000,001 and above	228	1,395,564,976	49.11
Total	206,526	2,842,121,950	100.00

#### 4.1.4 The List of Major Shareholders

Date : April 14, 2019

Name	Shares	Number	Percentage(%)
Norges Bank		57,513,944	2.02
Acer Incorporated		54,815,995	1.93
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		45,443,405	1.60
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		44,247,107	1.56
Dimensional Emerging Markets Value Fund		43,725,343	1.54
Lin, Hsien-Ming		43,599,252	1.53
Management Board of Public Service Pension Fund		42,713,163	1.50
Wistron NeWeb Corporation		28,796,209	1.01
iShares Core MSCI Emerging Markets ETF		28,415,004	1.00
Morgan Stanley & Co. International Plc		27,748,378	0.98

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

Unit : NT\$

Item	Period	2017	2018	2019 (As of March 31)	
Market Price Per Share	Highest	32.10	28.30	24.15	
	Lowest	21.65	16.90	18.60	
	Average	26.88	22.01	21.68	
Net Value Per Share	Before Distribution	24.41	24.47	-	
	After Distribution	22.91	-	-	
Earnings Per Share	Weighted Average Share Numbers (thousand shares)	2,628,992	2,794,207	-	
	Earnings Per Share	Current	1.48	1.76	-
		Adjusted	1.44	-	-
Dividend Per Share	Cash Dividend (NT\$)	1.2	1.5	-	
	Stock Dividend	Retained Earning (%)	0.3	0	-
		Capital Surplus (%)	0	0	-
	Accumulated unpaid dividends	0	0	-	
Return on Investment Analysis	P/E Ratio	18.16	12.51	-	
	P/D Ratio	22.40	14.67	-	
	Cash Dividend Yield	4.46%	6.82%	-	

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

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

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

### B. Proposed Distribution of Dividend

The Board adopted a proposal for 2018 profit distribution at its quarterly meeting on March 25, 2019. The proposed profit distribution will take effect upon the approval of shareholders at the Annual Shareholders' Meeting on June 12, 2019.

#### Proposal for Distribution of 2018 Profits

Unit : NT\$

<b>Unappropriated retained earnings at the beginning of the year</b>		<b>5,326,348,352</b>
Plus(Less):		
Effect of Adoption of IFRSs 9	641,116,951	
Remeasurements of defined benefit obligation	(118,682,370)	
Treasury stock transactions	(152,908,088)	
Changes in equity of associates accounted for using equity method	378,776	
Changes in ownership interests in subsidiaries	(150,701,477)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	(122,127,184)	
Net Profit of 2018	4,908,471,903	
Less:		
Legal Reserve	(490,847,190)	
Special Reserve	(117,979,026)	
<b>Retained Earnings Available for Distribution</b>		<b>9,723,070,647</b>
Distribution Items:		
Stock Dividends to Common Shareholders	0	
Cash Dividends to Common Shareholders	(4,226,639,925)	(4,226,639,925)
<b>Unappropriated Retained Earnings</b>		<b>5,496,430,722</b>

C. If a material change in dividend policy is expected, provide an explanation : None.

**4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting** : Not applicable.



#### **4.1.8 Compensation to Employees and to Directors**

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

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

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

**B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period**

If there would be any differences between the estimate and actual distribution amounts, the differences would be treated as changes in accounting estimates and recognized as profit or loss in following year.

**C. The linkage between directors' performance and compensation**

According to the Article 4 of "The Compensation System, Structure and Management Method of Performance Evaluation for Directors and Business Managers", the directors' remuneration will distributed in accordance with Article 11 and Paragraph 2 of Article 16 of the "Articles of Incorporation", and the payment methods shall be checked in consideration of the functions of individual directors, meeting attendance and other performance appraisals. The Company will review the remuneration system at any time according to the actual operation situation and relevant laws in order to balance the sustainable operation and risk control of the Company. The actual payment of directors' remuneration which in accordance with the "Principles of Directors' and Functional Comittees' Compensation", shall be examined and approved by the Compensation Committee and the Board of Directors.

**D. The Board of Directors resolved the employees' and directors' compensation of 2018 as follows**

(A) The Company's 4th term 5th Compensation Committee Meeting and 2nd Board Meeting of 2019 resolved the employees' and directors' compensation of 2018 in accordance with the "Articles of Incorporation."

a. The employees' compensation was NT\$700,154,330, distributed in cash.

b. The directors' compensation was NT\$46,210,190, distributed in cash.

(B) There is no difference between the BOD's proposed amount of compensation to be distributed to employees and directors and the amount listed in the 2018 financial statements.

**E. The Bonuses to Employees and Compensation to Directors in 2017**

	2017			
	Board Resolution	Actual Distribution(Note)		
	Amount(NT\$)	Amount(NT\$)	Equivalent Number of Shares	Dilution(%)
Employees' Compensation in Cash	-	-	-	-
Employees' Compensation in Stock	711,307,900	711,307,900	30,140,165	1.10
Directors' Compensation	46,946,330	46,946,330	-	-
Total	758,254,230	758,254,230	-	-

Note : There is no difference between the BOD's proposed amount of compensation to be distributed to employees and directors and the amount listed in the 2017 financial statements.

**4.1.9 Treasury Stocks**

Date : March 31, 2019

Treasury stocks: Batch Order	1st of 2015	2nd of 2015	1st of 2016
Purpose of buy-back	To transfer to employees.	To transfer to employees.	To transfer to employees.
Timeframe of buy-back	2015/05/15~2015/07/14	2015/08/27~2015/10/21	2016/5/14~2016/7/13
Price range	NT\$23 to NT\$39 per share	NT\$12 to NT\$23 per share	NT\$16 to NT\$26 per share
Class, quantity of shares bought back	60,000,000	80,000,000	24,362,000
Value of shares bought-back	NT\$1,412,269,403	NT\$1,308,914,006	NT\$533,235,760
Shares sold/transferred	60,000,000	80,000,000	0
Accumulated number of company shares held	0	0	24,362,000
Percentage of total company shares held (%)	0	0	0.86

**4.2 Issuance of Corporate Bonds : None.****4.3 Issuance of Preferred Stock : None.**

#### **4.4 GDR Issuance: Issuance of Global Depositary Shares**

Date : March 31, 2019

Item		September 22, 2005	June 19, 2009
Issuance and Listing		Luxembourg Stock Exchange	
Total Amount		US\$ 233,620,000	US\$ 223,500,000
Offering Price per GDRs		US\$ 9.3448	US\$14.9
Units Issued		42,439,863 units	
Underlying Securities		424,398,669 shares	
Common Shares Represented		424,398,669 shares	
Rights and Obligations of GDRs Holders		Same as those of Common Share Holders	
Trustee		Not Applicable	
Depositary Bank		Citibank, N.A.-New York	
Custodian Bank		First Commercial Bank Co. Ltd.	
GDRs Outstanding		143,606 units	
Apportionment of expenses for the issuance and maintenance		All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRs were borne by Wistron and the selling shareholders, while maintenance expenses such as annual listing fees were borne by Wistron.	
Terms and Conditions in the Deposit Agreement and Custody Agreement		See Deposit Agreement and Custody Agreement for Details	
Closing Price per GDRs	2018	High	US\$ 8.90
		Low	US\$ 6.10
		Average	US\$ 7.27
	2019/01/01~2019/03/31	High	US\$ 7.70
		Low	US\$ 6.68
		Average	US\$ 6.96

**4.5 Employee Stock Options** : None.

**4.6 Restricted Stock Awards to key employees** : None.

**4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters** : None.

**4.8 Implementation of the Company's Fund Raising and Utilization** : None.

# **5. Operational Highlights**

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## **5.1 Business Activities**

### **5.1.1 Business Scope**

#### **A. Main areas of business operations**

Company's business primarily covers the R&D, manufacturing, testing and after-sales services of the following items:

- (1) Desktop, motherboard, all-in-one and professional computer
- (2) Server, workstation and other components
- (3) Notebook, tablet, smartphone and handheld devices
- (4) Satellite TV receivers, set-top-box and video codec
- (5) VoIP phone, video conference system, telecommunication equipment and multimedia
- (6) LCD TV and monitor
- (7) After-sales services of above mentioned products and peripheral devices
- (8) Waste collecting and disposing

#### **B. Revenue distribution**

Unit: NT\$ thousands

<b>Major Divisions</b>	<b>Total Sales in Year 2018</b>	<b>(%) of Total Sales</b>
3C Electronics	803,305,340	90.31
Others	86,231,007	9.69
Total	889,536,347	100.00

#### **C. Current Main Products and Services**

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

## D. New products and Services development

- (1) Medical devices, Medical AI and Big Data services
- (2) Electrical vehicle

### 5.1.2 Industry Overview

#### A. Progress and Development of the Industry

In 2018, the personal computer (PC) market slightly declined compared with the previous year, and the major reason is Intel CPU shortage from the second half of 2018 which could further impact the PC market in 2019 as well. Regarding mobile devices, tablets' volume kept falling as expected and smartphone shipments started to decrease. Furthermore, the U.S.-China trade war and Brexit created much news in the second half of 2018 which caused uncertainty in the global economy and could weaken the demand of electronics devices in 2019.

##### (1) Personal Computers

In the first half of 2018, the demand for PCs, especially the commercial segment, was very strong thanks to U.S. corporate tax cuts and Windows 10 upgrades. The consumer segment migrated toward the high end because current general consumers are more willing to pay a premium to prolong the product replacement cycle. In addition, the high end Gaming PC is gaining more traction in the PC market in recent years. Although the penetration of those high-end products is still low, they are one of few segments with growth in a declining market.

Heading into 2019, the Intel CPU shortage could continually make the PC market unstable, especially the low-end consumer market. People now expect the impact will continue to the first half of 2019 together with the global economic uncertainties, and the PC market could maintain the small decline as per last year.

##### (2) Mobile Devices

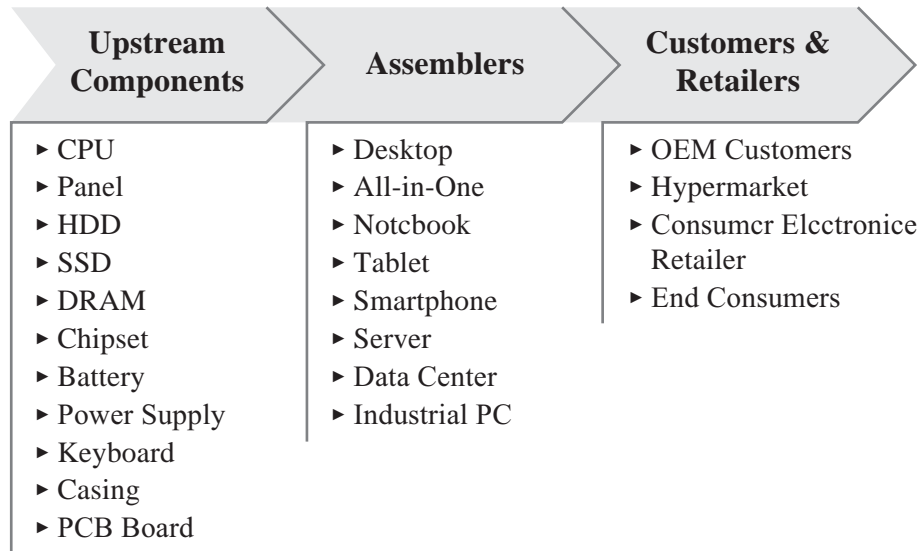
From tablets and smartphones to wearable devices, mobile devices are evolving in both the hardware side (such as wireless charge, 3D camera, rollable display, and facial recognition) and the software side (such as AI virtual assistant and medical care monitor). However, due to a gradually matured market and lack of killer applications, market consensus is still conservative on 2019 smartphone demand and expected to see a small decline. Wearable devices, because of the lower base, could continue to grow.

##### (3) Data Centers and Cloud Services

Different from the flat, traditional X86 server market demand, overall demand for data centers and cloud services is increasing sharply, benefiting from growing mobile devices and cloud services demand in past years. Many internet service providers, like Google and Facebook, started to build up their own standard on data centers and directly purchase from manufacturers. This trend made shipment growth of data center far better than traditional servers. Nevertheless, the better than expected demand in 2018 may cause some slowdown in 2019, because those internet service providers may need to take some time to set up and utilize all of the equipment capacity in newly procured data centers.

From end user devices to data centers, people also expect the market will benefit from 5G infrastructure development. The 5G networks can make data and information transmission even quicker while supporting immense progress for some industries, especially IoT, AI, telemedicine and autonomous cars.

## B. Correlation of the industry supply chain (as picture shown below)



## C. Product Trends and Competition

### (1) Product Trends

Following the rapidly increasing amounts of data created by end users through various kinds of end devices, brand names and platform enablers now collect those data for different analytical purposes. Hence, the design of end devices (mostly related to different end use such as CPU, camera module, and display) is being upgraded for better computing power, allowing for end-user's migration to utilization of AR/VR. Apart from these upgrades, there are almost no other new features. Meanwhile, more and more IT companies' resources are being dedicated to software side, like automotive, medical, and education platforms.

For example, the automotive industry benefits from more efficient 5G networks, and new partially autonomous driving services could arrive over the next few years with direct vehicle-to-vehicle and vehicle-to-infrastructure communications. To achieve that, autonomous cars need more precise calculations based on more reliable connectivity. Also, 5G networks can turn cars into a connective device with computing function, which provides IT companies opportunities to penetrate into the supply chain.

### (2) Competition

After years of consolidation, larger ODM companies survived and smaller companies struggled. With better customer mix and product mix, companies now have a better chance for revenue growth.

In addition, cost control is a key factor to maintain competitiveness. For PC makers, economic scale and vertical integration are very critical. With above mentioned capabilities, companies can further reduce the fix costs and enjoy better margins. Smart devices manufacturing is a purely assembly business and the profitability is all subject to operation efficiency and yield rates. As to server products, higher technical capability is required for system intergration so there are only a few players remaining in this supply chain.

### **5.1.3 Research and Development**

#### **A. Research and Development Expenses in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report**

	2018	2019 (As of March 31)
R&D Expenses (NT\$ thousands)	14,403,597	-
R&D Expenses to Revenue	1.62%	-

#### **B. The successful development of technologies and products**

##### (1) Intellectual Property

In 2018, Wistron has obtained 127 U.S. issued patents, ranked the 8th highest among Taiwanese companies. Additionally, Wistron actively develops worldwide patent strategy, and obtained over 500 issued patents in various countries. Going forward, Wistron will continue to implement a unified strategic plan for intellectual capital management, combining both strategic considerations and business objectives, to drive the timely creation, management and monetization of intellectual properties.

##### (2) Technologies and products

Year	R & D results
2018	LCD module components <ul style="list-style-type: none"> <li>■ Integrated multiple frequencies of antenna development</li> <li>■ Dual display with physical KB Notebook PC</li> <li>■ Pressure sensing technology for optical touch</li> </ul>
	Industrial computers <ul style="list-style-type: none"> <li>■ High integration, high C/P Ratio Industrial IoT Gateway</li> </ul>
	Internet of Things <ul style="list-style-type: none"> <li>■ IoT Equipment Data Acquisition Solution</li> <li>■ New applications for home security systems</li> <li>■ Smart scale</li> </ul>
	Medical devices <ul style="list-style-type: none"> <li>■ Artificial Intelligence assistance system for hemodialysis</li> <li>■ Wearable Robotic Exoskeleton combines AI &amp; Bioinspired Technologies</li> <li>■ Contactless Vital Radar Sensor technology and system</li> <li>■ Smart care/Long-term-care system</li> </ul>
	Enterprise storage <ul style="list-style-type: none"> <li>■ AI GPU server system</li> <li>■ Self-driving simulator system</li> <li>■ Multi-node server/storage module</li> </ul>
	Professional Display Solution <ul style="list-style-type: none"> <li>■ TV Wall layout recognition technology development</li> </ul>



### **5.1.4 Long-Term and Short-Term Business Development Plans**

#### **A. Short-Term Development Plan**

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

#### **B. Long-Term Development Plan**

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

The strategic plans are as follows:

##### **(1) Marketing Strategy**

- A. Continue to improve core competency in professional designs and technological services.
- B. Maintain high-quality and high-performance products.
- C. Continue to optimize the global service network for providing a comprehensive range of after-sales services.

##### **(2) Manufacturing Policy**

- A. Optimize the global manufacturing system by improving production automation ratio and phasing in digital intelligent manufacturing gradually to enhance efficiency and lower costs.
- B. Continue to promote Six Sigma projects in combination with performance goals to comprehensively enhance quality and efficiency.

##### **(3) Product Development Goals**

- A. Cultivate excellent R&D experts and improve their R&D capabilities.
- B. Use existing computer research and manufacturing capabilities to strengthen the research and development of servers, network storage devices, advanced network management systems, and industrial computers. We also will integrate the concept of Internet of Things service into Smart Home trends that provide connectivity, entertainment, home security, voice control, and healthcare functions, thereby introducing new value-added products and technological services featuring innovative functions.
- C. Commit to energy conservation by adopting eco-friendly materials and technologies that comply with green product and related environmental laws.

##### **(4) Operation Scale and Financial Support**

- A. Actively integrate and develop production capacity overseas to fulfill business requirements.
- B. Strengthen balance sheet management, control the number of cash turnover days to within a reasonable range, and sustain a healthy financial structure.

## 5.2 Market, Production and Sales

### 5.2.1 Market Analysis

#### A. Sales (Service) Region

(1) The Major Products and Sales Value in the Most Recent Two Years

Unit : PCS ;Thousand NT\$

Sales Value Major Product	Year		2017				2018			
	Domestic		Export		Domestic		Export			
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value		
Computer, Communication & Consumer electronics	354,426	4,305,890	79,576,203	753,005,967	691,958	8,118,663	76,911,174	795,186,677		
Others	28,309	333,224	60,045,057	78,435,942	37,763	620,864	60,192,095	85,610,143		
Total	382,735	4,639,114	139,621,260	831,441,909	729,721	8,739,527	137,103,269	880,796,820		

Note : Company shall prepare consolidated financial reports of 2017 & 2018 in accordance with IFRSs regulation.

(2) The Company significant sales based on exported products. Stated below are the geographic information on the Group's sales presented by destination of sales presented by location.

Unit : %

District	Year	2017	2018
United States		36.85	39.13
Japan		1.60	1.80
HK /China		25.85	27.74
ASEAN		3.25	3.13
Europe		16.23	18.00
Otherss		16.22	10.20
Total		100.00	100.00

Note : Company shall prepare consolidated financial reports of 2017 & 2018 in accordance with IFRSs regulation.

#### B. Market Share

Taiwan is a major supplier of information technology products as exemplified by these iconic products. According to the MIC (February 2019) and market statistics, Taiwan produced 126,201 K notebook computers, 49,639 K desktop computers and 9,195 K servers in 2018, of which about 14%, 30%, and 23% were produced by our company respectively. These numbers demonstrate our company's considerable competitiveness in the market.

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

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

#### A. Supply Perspective

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

#### B. Demand Perspective

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

### Global PC Shipments Growth Trend

Unit: 1 = 1000 units

Year	2017	2018	2019(e)	2020(f)	2021(f)
Number of NBs	155,570	152,260	150,850	144,360	145,510
Growth Rate	4.3%	-2.1%	-0.9%	-4.3%	0.8%
Number of DTs	108,470	107,030	105,400	104,800	103,500
Growth Rate	-7.3%	-1.3%	-1.5%	-0.6%	-1.2%
Number of PCs (NB + DT)	264,040	259,290	256,250	249,160	249,010
Growth Rate	-0.8%	-1.8%	-1.2%	-2.8%	-0.1%

Source : DIGITIMES Research (January 2019) Compound growth rate is around -1.45% from 2017 to 2021.

### (2) Future Growth

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

### Global Server Shipments Growth Trend

Unit: 1 = 1000 units

Year	2017	2018	2019(e)	2020(f)	2021(f)
Number of Servers	11,451	12,784	13,307	13,582	13,673
Growth Rate	3.1%	11.6%	4.1%	2.1%	0.7%

Source : Gartner (January 2019) Compound growth rate is around 4.53% from 2017 to 2021.

## D. Competitive Niches

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

Each business unit in our company has their own R&D department responsible for the research and development of their products. As of January 2019, our company has a R&D team of over 4,500 people, over 99% of which have a college degree or higher and main team leaders have on average over 25 years of experience in developing products in their fields. These conditions are a testament to our R&D's strength in terms of the quality of people and their experience.

### (2) Fully Integrated Manufacturing Base

We intend to continue our OEM business while actively venturing into new realms. The company's manufacturing bases are located in Taiwan, China, Mexico and the Czech Republic. One of our company's key advantages now is receiving purchase orders in Taiwan and through lean manufacturing by decreasing production waste, improving production efficiency, and reducing manufacturing cost to maximize profits.

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

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

### (4) Focus on Product Quality

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

### (5) Solid Relationships with Suppliers

No matter to sources of key technologies or suppliers of key components, the company maintains long-term partnerships and total cost considerations with our supply chain to provide comprehensive services and solutions with regards to cost, quality, and delivery.

### (6) Global Logistics Management Capability

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

### (7) Professional Management Team

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

## E. Advantages and Unfavorable Factors to Long-Term Development and Responding Measures

### (1) Advantages

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

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

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

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

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

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

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

- D. Solid After-Sales Service Networks

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

### (2) Unfavorable Factors

- A. Intense Competition Lowers Profit

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

- B. Exchange Rates' Effect on Profits

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

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

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

### (3) The Company's Response

- A. Confront the competition by active product innovation and high value-added products development.
- B. Maximize production efficiency by strengthening cost and inventory control and increasing automation.
- C. Hedge against exchange rate risks by balancing assets and debt in foreign currency to lower net foreign currency position.
- D. Finance personnel must be wary of fluctuations in exchange rates and the company's demand for funds by taking appropriate hedging measures.
- E. Raise the quality of the products and lower dependence on manual labor by actively investing in automated production equipment.
- F. Increase capacity utilization by streamlining design and production instead of merely increasing capacity.

## **5.2.2 Core Applications of Major Products and Manufacturing Processes**

### **A. Core Applications of Major Products**

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

### **B. Manufacturing Processes**

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

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

#### (2) Final Assembly (FA)

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

## **5.2.3 Status of Supply of Chief Materials**

<b>Main Materials</b>	<b>Domestic and Foreign Sources</b>	<b>Status of Supply (2019)</b>
CPU	United States	CPU supply for low price and entry level CPU being minimized since early 2018, due to unsmooth Intel manufacturing process upgrade. Hopefully the supply issue will ease starting from 2019/Q2, and back to normal supply for the 2nd half of 2019. There's no impact with stable supply on Server, Cloud computing, AI and IoT, as they're still the spotlight and are well taken cared by related CPU suppliers in 2019.
Hard Drives	United States, Japan	The HDD demand from PC is gradually replaced by SSD, and suppliers have shifted capacities to Enterprise HDD to balance the demand/supply. The major marketing segment of Enterprise HDD is 10TB~14TB, but foresee that Enterprise HDD which with high-speed solution will be replaced by SSD gradually.

Main Materials	Domestic and Foreign Sources	Status of Supply (2019)
DRAM	United States, Japan, Korea	Oversupply in DRAM market for the first half of 2019 with price drop in mainstream products. And the demand status of the coming 2nd half of 2019 still to be observed.
Power Supply	Taiwan, China	Compared with 2018, the supply of MLCC/CAP/MOSFET is gradually recovered in 2019, but high-voltage MOSFET is still in constraints, which leads to longer lead time for high-voltage power supply on IPC/Server.
PCB	Taiwan, China, Austria, Korea	For overall market demand dropped since Oct.2018, capacity run rate of key computing PCB suppliers down to 80% ~ 85%, which drives cost reduction in Q1/Q2 2019 although there's no significant cost reduction offered by CCL vendors to PCB suppliers. Foresee that overall PCB price should be better in 2019. And to meet the requirement of high speed data transmission quality for Server/Data Center devices, the design of PCB will use more low-loss/ultra low-loss raw material (CCL & copper foil) which would cause ASP become higher.
LCD	Taiwan, China, Japan, Korea	Oversupply for NB/MNT in 2019. -Q1/Q2 serious shortage of CPU. -Q3/Q4 China vendor increase capacity, but overall demand will decline.



## 5.2.4 Key Accounts in the Past Two Years

### A. Key Suppliers

Item	2017				Relation with Issuer
	Company Name	Amount	Percent		
1	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	220,691,172	29.75	(NOTE)	
2	Cowin Worldwide Corp	169,045,657	22.79	(NOTE)	
3	Wistron InfoComm (Chengdu) Co., Ltd.	116,137,030	15.66	(NOTE)	
4	Wistron InfoComm (Chongqing) Co.Ltd	94,484,625	12.74	(NOTE)	
5	Others	141,383,618	19.06	-	
	Total	741,742,102	100.00	-	

Note : Subsidiary of the Company

### B. Key Buyers

Item	2017				Relation with Issuer
	Company Name	Amount	Percent		
1	Buyer H	163,163,133	20	-	
2	Buyer G	213,969,248	26	-	
3	Buyer D	102,612,071	12	-	
4	Buyer I	49,008,940	6	-	
5	Others	307,327,631	36	-	
	Total	836,081,023	100	-	

Unit: NT\$ thousands

	2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
	Cowin Worldwide Corp	165,163,008	23.06	(NOTE)	-	-	-	-
	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	134,626,473	18.79	(NOTE)	-	-	-	-
	Wistron InfoComm (Chongqing) Co.Ltd.	125,473,272	17.51	(NOTE)	-	-	-	-
	Wistron InfoComm (Chengdu) Co., Ltd.	110,331,940	15.4	(NOTE)	-	-	-	-
	Others	180,830,023	25.24	-	-	-	-	-
	Total	716,424,716	100.00	-	-	-	-	-

Unit: NT\$ thousands

	2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
	Buyer H	153,688,939	17	-	-	-	-	-
	Buyer G	141,140,593	16	-	-	-	-	-
	Buyer D	117,668,128	13	-	-	-	-	-
	Buyer I	90,858,378	10	-	-	-	-	-
	Others	386,180,309	44	-	-	-	-	-
	Total	889,536,347	100	-	-	-	-	-

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

Unit : PCS; Thousand NT\$

Year Production Value Major Product	2017			2018		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Computer, Communication & Consumer electronics	127,635,259	80,196,387	819,841,882	120,267,523	79,811,817	814,356,866
Others	107,260,300	67,394,297	101,853,900	106,350,100	60,496,713	105,071,163
Total	234,895,559	147,590,684	921,695,782	226,617,623	140,308,530	919,428,029

Note : Company shall prepare consolidated financial reports of 2017 &amp; 2018 in accordance with IFRSs regulation.

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

Unit : PCS ; Thousand NT\$

Year Sales Value Major Product	2017				2018			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Computer, Communication & Consumer electronics	354,426	4,305,890	79,576,203	753,005,967	691,958	8,118,663	76,911,174	795,186,677
Others	28,309	333,224	60,045,057	78,435,942	37,763	620,864	60,192,095	85,610,143
Total	382,735	4,639,114	139,621,260	831,441,909	729,721	8,739,527	137,103,269	880,796,820

Note : Company shall prepare consolidated financial reports of 2017 &amp; 2018 in accordance with IFRSs regulation.

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

Year		2017	2018	As at Mar. 31 <sup>st</sup> , 2019
Employee Number	Sales	1,214	1,268	1,272
	Engineers	4,230	4,376	4,416
	Administration	998	1,080	1,065
	Direct Labor	298	575	689
	Total	6,740	7,299	7,442
Average Age		36.18	36.61	36.70
Average Seniority		6.30	6.39	6.40
Distribution of Education	Doctor	39	42	43
	Master	2,780	2,954	2,962
	Bachelor	3,126	3,242	3,309
	Diploma	488	645	726
	High School	276	356	367
	High School Below	31	60	35

## **5.4 Environmental Protection Expenditure**

### **5.4.1 Total Losses and Penalties**

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

### **5.4.2 Countermeasures and possible disbursements to be made in the future** : None.

### **5.4.3 Environmental Protection Measures**

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

#### (1) Product Research and Development

All products developed by Wistron focus on 3 subjects- hazardous free, energy saving, and resources reduction as well as have fully conformed to the European Union's RoHS directive 2011/65/EU , (EU) 2015/863 and WEEE requirements. Furthermore, we are actively paying close attention to other environmental protection trends, such as Green House Gas, Product Carbon Footprint & Water Footprint, Halogen-free, REACH, PAHs, PFOS, Energy Start, ErP and the US EPEAT (Electronic Product Environmental Assessment Tool). Implement the Eco-design from product development; we strive to contribute for the betterment of the global environment.

#### (2) Production/Manufacturing

All Wistron manufacturing bases of operation have the capacity to produce environmental friendly products; the Material Management System, Manufacturing Process Control, and Lead-free production equipment are all established. Our Taiwan, Philippines, China and Czech operation bases have been certified ISO 14001 and IECQ QC08000 (Hazardous Substance Process Management). We ensure product compliance with relevant requirements through a comprehensive environmental quality management system. We also inventory greenhouse gas emission from production and establish reduction goals as well as verified by 3rd party for ISO 14064. Moreover, the electricity consumption is the major contribution of greenhouse gases emission. To reduce the power consumption can reduce the greenhouse gases emission; therefore, Wistron improved the energy efficiency for major equipment and use the energy saving equipment to reduce the greenhouse gases emission and energy usage cost. We are also planning to use renewable energy in production and have established solar power generation in our Zhongshan and Kunshan site in 2017. In order to analysis the efficiency of energy utilization and find out the opportunity of energy saving as well as providing framework of sustaining performance improvement of energy efficiency, Wistron started to implement the ISO 50001 energy management system in Taiwan and Zhongshan Plant since 2014. Our long-term goal is to reduce 8% of electricity usage per revenue by 2020, compared to 2016.

### (3) Quality Control

Wistron has established hazardous substance analysis laboratories in Taiwan, China, Czech, and Mexico to complete the overall arrangement of a global hazardous substance testing network. The testing capability is not only to include the RoHS six restricted substances but also extend to the other substances e.g. Bromine, Chlorine, Phthalates, Arsine and Antimony, etc. We implemented the regular sampling test mechanism to ensure that components and products don't contain the hazardous substances.

### (4) Supply Chain Management

Wistron conducts regular audit and checks on suppliers to ensure that materials and components comply with environmental protection requirements; we change unqualified suppliers as well as hold annual vendor conference to introduce green product trend and Wistron's environmental requirements to reinforce suppliers' awareness on environmental protection. Our philosophy is to implement source management programs to minimize risks. To improve global warming is important issue to environment, Wistron has required suppliers to provide the data of greenhouse gases emission and encourage supplier to reduce the emission since every year. Furthermore, Wistron start to inventory the scope 3 of greenhouse gases emission for Taiwan office and factory since 2015. Collect the emission which is generated by employee travelling and transportation for product and materials. There are more manufacturing sites located in China were included in the inventory scope in 2016 .

### (5) Personnel

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

### (6) Information System

Wistron has established a Green Product Management GPM system ; suppliers may directly upload related environmental protection information into Wistron's GPM database through the internet so as to simplify procedures, minimize human error, and enhance task efficiency. The flexibility of the interface allows it to cope with future environmental protection requirements. Moreover, GPM could generate customized format report to declare the green product information to customers. We have implemented the GPM2.0 to enhance the system function and efficiency in 2014. We are developing a new function to directly link the database of testing report from the 3rd party labs to reduce the human effort and error as well as improve the operations in 2019. In order to efficiently address the increased requirement of controlled hazardous substances, e.g. REACH-SVHC, Wistron has developed and implemented the Full Material Disclosure (FMD) information system to know well the composition of materials used in the products. Therefore, we can quickly verify whether the hazardous substances be used in product as well as reduce the operation cost due to the repeated investigation. In addition,

Wistron has developed a product Carbon Footprint Management (CFM) system to inventory the total emission of carbon dioxide for whole product lifecycle as well as passed the verification by 3rd party.

## **5.5 Labor Relations**

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

#### **A. Employee benefits**

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

#### **B. Training and development**

In year 2018, Wistron offered 428 training courses which accounted for 1,155 training hours in Taiwan. The major training items are “New Employee Training”, “Professional Training”, “Management Training”, and “Culture Workshop”. Wistron believes the constant enhancement of workforce quality is one of the key driving forces for the Company’s long-term development and sustaining in the market.

In response to the needs of nurturing future talent and outstanding leadership, we introduced the Management Core Competency Analysis, and applied it to management training courses. Courses such as Targeted Selection, Coaching for Empowerment and individual development plan (IDP) were all conducted by using the core competency approach. Meanwhile, we have integrated the core competency with actual work content and assisted our employees in applying what they have learned during training to actual work practice.

In addition, Wistron has been nurturing future business teams and leaders by devising individual development plans for managers of all business units, according to organizational requirements, job demands, personal strengths, and development needs of key personnel. Since 2007, almost 30% of the supervisors who participated in the development program have completed training, passed certification, and been promoted to new positions.

#### **C. Retirement plan**

To develop a stable retirement plan for the employees and therefore enhance employees’ engagement to the Company, Wistron establishes rules for the employee retirement plan in accordance with the Labor Standard Law and Labor Pension Act. Wistron contributes six percent of applicable employee’s monthly wage to the labor pension per month according to Labor Pension

Act. Besides, Wistron establishes Supervisory Committee of Workers' Retirement Fund to allocate employee retirement reserve fund each month in accordance with "Rules for the Allocation and Management of the Workers' Retirement Fund" and deposits the fund into the dedicated account in the name of Supervisory Committee in the legally established banks.

#### **D. Labor Relations**

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

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

### **5.6 Important contracts**

<b>Contract Type</b>	<b>Contracting Party</b>	<b>Term of Agreement</b>	<b>Main contents</b>	<b>Restrictive clauses</b>
Purchase Agreement	Foreign and Domestic Companies	Valid	Purchase of computer products and components	None
Maintenance Agreement	Foreign and Domestic Companies	Valid	Maintenance for the hardware and software	None
License Agreement	Foreign and Domestic Companies	Valid	License of certain software and patents	None
Product Development And Supply Agreement	Foreign and Domestic Customers	Valid	The customers will purchase computer products developed and manufactured by Wistron	None

# **6. Financial Standing**

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## 6.1 Most Recent 5-Year Concise Financial Information

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

#### Concise Consolidated Balance Sheet

Unit : NT\$ thousands

Item	Period	Most recent 5-Year Financial Information(Note1)					2019 (As of March 31)
		2014	2015	2016	2017	2018	
Current assets		241,405,603	232,090,337	225,656,731	270,205,662	275,427,144	-
Net property, plant and equipment		39,255,705	37,676,747	36,448,176	36,653,350	42,868,387	-
Intangible assets		1,546,839	2,016,785	1,247,465	1,057,624	1,077,197	-
Other assets		17,361,776	18,601,175	19,403,186	18,736,746	19,729,847	-
Total assets		299,569,923	290,385,044	282,755,558	326,653,382	339,102,575	-
Current Liabilities	Before Distribution	202,857,866	199,844,353	197,453,207	254,191,674	239,878,889	-
	After Distribution	205,819,787	202,749,697	200,495,376	257,399,873	(Note2)	-
Non-current liabilities		26,704,961	21,323,478	17,333,902	6,040,646	25,692,104	-
Total Liabilities	Before Distribution	229,562,827	221,167,831	214,787,109	260,232,320	265,570,993	-
	After Distribution	232,524,748	224,073,175	217,829,278	263,440,519	(Note2)	-
Equity attributable to owners of the Company		69,799,674	68,715,506	67,245,050	65,126,374	68,945,197	-
Common stock		24,682,674	25,554,824	26,503,165	27,486,880	28,421,220	-
Capital surplus		20,441,985	20,707,328	21,353,585	22,076,225	22,863,619	-
Retained Earnings	Before Distribution	24,651,335	22,162,377	21,344,172	21,326,529	22,321,828	-
	After Distribution	20,948,934	18,530,697	17,541,461	17,316,280	(Note2)	-
Other equity		23,680	3,012,160	636,406	(4,010,255)	(4,128,234)	-
Treasury stock		-	(2,721,183)	(2,592,278)	(1,753,005)	(533,236)	-
Non-controlling interests		207,422	501,707	723,399	1,294,688	4,586,385	-
Stockholders' Equity	Before Distribution	70,007,096	69,217,213	67,968,449	66,421,062	73,531,582	-
	After Distribution	67,045,175	66,311,869	64,926,280	63,212,863	(Note2)	-

Note1 : The above financial information audited by CPA.

Note2 : Pending shareholders' approval.

## Concise Consolidated Statement of Comprehensive income

Unit : NT\$ thousands

Item	Period	Most Recent 5-Year Financial Information(Note1)					2019(As of March 31)
		2014	2015	2016	2017	2018	
Operating revenue		592,346,734	623,273,988	659,908,231	836,081,023	889,536,347	-
Gross profit		31,117,158	29,416,236	31,644,517	31,639,403	37,559,256	-
Operating income		3,765,877	2,389,705	6,012,070	5,913,811	10,766,016	-
Non-operating income and expenses		1,078,380	(19,340)	(1,254,970)	244,600	(1,107,178)	-
Profit before tax		4,844,257	2,370,365	4,757,100	6,158,411	9,658,838	-
Net income for continuing operations		3,590,848	1,270,895	2,993,004	4,361,491	7,285,189	-
Income from discontinued operations, net of income tax effect		-	-	-	-	-	-
Net income		3,590,848	1,270,895	2,993,004	4,361,491	7,285,189	-
Other comprehensive income for the year, net of tax		3,090,018	2,601,852	(2,430,986)	(4,821,073)	518,936	-
Total comprehensive income for the year		6,680,866	3,872,747	562,018	(459,582)	7,804,125	-
Profit attributable to owners of the Company		3,580,393	1,334,094	2,961,101	3,885,516	4,908,472	-
Profit attributable to non-controlling interests		10,455	(63,199)	31,903	475,975	2,376,717	-
Total comprehensive income attributable to owners of the Company		6,666,944	3,933,920	531,776	(932,172)	5,350,283	-
Total comprehensive income attributable to non-controlling interests		13,922	(61,173)	30,242	472,590	2,453,842	-
EPS		1.46	0.53	1.16	1.44	1.76	-

Note1 : The above financial information audited by CPA.

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

### Concise Balance Sheet

Unit : NT\$ thousands

Item	Period	Most recent 5-Year Financial Information(Note1)					2019(As of March 31)
		2014	2015	2016	2017	2018	
Current assets		160,982,907	199,767,923	240,235,239	307,517,887	272,726,574	-
Net property, plant and equipment		6,252,270	5,769,852	5,528,953	4,821,377	4,747,740	-
Intangible assets		1,353,840	1,220,953	1,058,875	897,455	941,498	-
Other assets		74,660,866	79,019,286	76,615,086	73,254,431	85,934,997	-
Total assets		243,249,883	285,778,014	323,438,153	386,491,150	364,350,809	-
Current Liabilities	Before Distribution	146,905,437	196,060,111	238,995,932	315,525,888	275,431,812	-
	After Distribution	149,867,358	198,965,455	242,038,101	318,734,087	(Note2)	-
Non-current liabilities		26,544,772	21,002,397	17,197,171	5,838,888	19,973,800	-
Total Liabilities	Before Distribution	173,450,209	217,062,508	256,193,103	321,364,776	295,405,612	-
	After Distribution	176,412,130	219,967,852	259,235,272	324,572,975	(Note2)	-
Common stock		24,682,674	25,554,824	26,503,165	27,486,880	28,421,220	-
Capital surplus		20,441,985	20,707,328	21,353,585	22,076,225	22,863,619	-
Retained Earnings	Before Distribution	24,651,335	22,162,377	21,344,172	21,326,529	22,321,828	-
	After Distribution	20,948,934	18,530,697	17,541,461	17,316,280	(Note2)	-
Other equity		23,680	3,012,160	636,406	(4,010,255)	(4,128,234)	-
Treasury stock		-	(2,721,183)	(2,592,278)	(1,753,005)	(533,236)	-
Stockholders' Equity	Before Distribution	69,799,674	68,715,506	67,245,050	65,126,374	68,945,197	-
	After Distribution	66,837,753	65,810,162	64,202,881	61,918,175	(Note2)	-

Note1 : The above financial information audited by CPA.

Note2 : Pending shareholders' approval.

**Concise Statement of Comprehensive income**

Unit : NT\$ thousands

Item	Period	Most Recent 5-Year Financial Information(Note1)					2019(As of March 31)
		2014	2015	2016	2017	2018	
Operating revenue		546,645,407	585,799,180	613,214,569	765,438,943	750,900,387	-
Gross profit		23,433,554	20,848,113	23,996,804	19,835,867	15,923,674	-
Operating income		4,423,866	1,803,792	6,344,428	3,397,264	(261,813)	-
Non-operating income and expenses		140,869	156,945	(2,897,966)	586,534	4,183,144	-
Profit before tax		4,564,735	1,960,737	3,446,462	3,983,798	3,921,331	-
Net income for continuing operations		3,580,393	1,334,094	2,961,101	3,885,516	4,908,472	-
Income from discontinued operations, net of income tax effect		-	-	-	-	-	-
Net income		3,580,393	1,334,094	2,961,101	3,885,516	4,908,472	-
Other comprehensive income for the year, net of tax		3,086,551	2,599,826	(2,429,325)	(4,817,688)	441,811	-
Total comprehensive income for the year		6,666,944	3,933,920	531,776	(932,172)	5,350,283	-
EPS		1.46	0.53	1.16	1.44	1.76	-

Note1 : The above financial information audited by CPA.

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

Year	Name of CPA	Auditor's Opinion
2014	Ya-Ling, Chen, Chia-Hsin, Chang	Unqualified opinion
2015	Ya-Ling, Chen, Chia-Hsin, Chang	Unqualified opinion
2016	Ya-Ling, Chen, Li- Ly, Lu	Unqualified opinion
2017	Li- Ly, Lu, Chia-Hsin, Chang	Unqualified opinion
2018	Li- Ly, Lu, Chia-Hsin, Chang	Unqualified opinion

## 6.2 Most Recent 5-Year Financial Analysis

### 6.2.1 Financial Analysis-For Consolidated Report

Item		Period(Note1)	Most recent 5-Year Financial Information					2019(As of March 31)
			2014	2015	2016	2017	2018	
Financial ratio (%)	Total liabilities to total assets		76.63	76.16	75.96	79.67	78.32	-
	Long-term debts to Net property, plant and equipment		246.36	240.31	234.04	197.69	231.46	-
Ability to payoff debt (%)	Current ratio		119.00	116.14	114.28	106.30	114.82	-
	Quick Ratio		80.98	81.13	80.06	69.13	75.88	-
	Interest protection		3.02	2.27	3.40	3.23	3.03	-
Ability to operate	A/R turnover (times)		6.35	6.50	7.28	9.07	8.35	-
	A/R turnover days		57.48	56.19	50.13	40.24	43.71	-
	Inventory turnover (times)		9.07	8.40	9.46	10.22	9.37	-
	Account payable turnover (times)		5.42	5.57	5.57	6.25	6.25	-
	Days sales outstanding		40.24	43.45	38.58	35.71	38.95	-
	Fixed assets turnover (times)		15.76	16.20	17.81	22.87	22.37	-
	Total assets turnover (times)		2.08	2.11	2.30	2.74	2.67	-
Earning ability	Return on assets (%)		1.89	0.90	1.56	2.11	3.26	-
	Return on equity (%)		5.27	1.83	4.36	6.49	10.41	-
	PBT to pay-in capital(%)		19.63	9.28	17.95	22.40	33.98	-
	Net income ratio (%)		0.61	0.20	0.45	0.52	0.82	-
	EPS (NTD)		1.46	0.53	1.16	1.44	1.76	-
Cash flow (%)	Cash flow ratio		(Note 2)	7.88	22.97	(Note 2)	1.73	-
	Cash flow adequacy ratio		28.79	43.58	95.57	50.22	44.73	-
	Cash reinvestment ratio		(Note2)	10.18	34.80	(Note 2)	0.66	-
Leverage	Operating leverage		5.17	7.75	3.79	3.97	2.63	-
	Financial leverage		2.75	4.53	1.49	1.87	1.79	-

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysis less than 20%) :

Return on assets : The increase is mainly caused by the increase of net income .

Return on equity : The increase is mainly caused by the increase of net income .

PBT to pay-in capital : The increase is mainly caused by the increase of profit before tax.

Net income ratio : The increase is mainly caused by the increase of net income .

EPS : The increase is mainly caused by the increase of net income.

Operating leverage : The decrease caused by the increase of operating income.

Note1 : The above financial information audited by CPA.

Note2 : The analysis of negative cash flow from operating activities is meaningless.

## 1. Financial Ratio

(1) Total liabilities to Total assets = Total liabilities / Total assets

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

## 2. Ability to Pay off Debt

(1) Current ratio = Current Assets / Current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liability

(3) Interest protection = Net income before income tax and interest expense / Interest expense

## 3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance

(2) A/R turnover day = 365 / account receivable turnover

(3) Inventory turnover = Cost of Goods Sold / the average of inventory

(4) Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance

(5) Inventory turnover day = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net Fixed Assets

(7) Total assets turnover = Net sales / Total assets

## 4. Earning Ability

(1) Return on assets = [ PAT + Interest expense × (1 – effective tax rate) ] / the average of total assets

(2) Return on equity = PAT / the average of net equity

(3) Net income ratio = PAT / Net sales

(4) EPS = (Profit attributable to owners of the Company – Dividend from prefer stock) / weighted average outstanding shares

## 5. Cash Flow

(1) Cash flow ratio = Cash flow from operating activities / Current liability

(2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)

(3) Cash investment ratio = (Cash flow from operating activities – cash dividend) / (Gross property, plant and equipment + long-term investment + other non-current assets + working capital)

## 6. Leverage

(1) Operating leverage = (Net revenue – variable cost of goods sold and operating expense) / operating income

(2) Financial leverage = Operating income / (Operating income – interest expenses)

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

Item		Period(Note1)	Most recent 5-Year Financial Information					2019(As of March 31)
			2014	2015	2016	2017	2018	
Financial ratio (%)	Total liabilities to total assets		71.31	75.95	79.21	83.15	81.08	-
	Long-term debts to Net property, plant and equipment		1540.97	1554.94	1527.27	1471.89	1872.87	-
Ability to payoff debt (%)	Current ratio		109.58	101.89	100.52	97.46	99.02	-
	Quick Ratio		101.23	96.83	95.76	91.78	94.29	-
	Interest protection		3.51	2.68	4.07	3.37	2.29	-
Ability to operate	A/R turnover (times)		4.67	4.05	3.65	3.59	3.15	-
	A/R turnover days		78.21	90.15	100.02	101.61	115.97	-
	Inventory turnover (times)		60.90	55.84	59.32	53.24	49.73	-
	Account payable turnover (times)		7.14	5.03	3.47	3.40	3.30	-
	Days sales outstanding		5.99	6.54	6.15	6.86	7.34	-
	Fixed assets turnover (times)		81.07	97.45	108.55	147.91	156.94	-
	Total assets turnover (times)		2.43	2.21	2.01	2.16	2.00	-
Earning ability	Return on assets (%)		2.26	0.87	1.28	1.49	1.96	-
	Return on equity (%)		5.27	1.93	4.36	5.87	7.32	-
	PBT to pay-in capital(%)		18.49	7.67	13.00	14.49	13.80	-
	Net income ratio (%)		0.65	0.23	0.48	0.51	0.65	-
	EPS (NTD)		1.46	0.53	1.16	1.44	1.76	-
Cash flow (%)	Cash flow ratio		(Note2)	18.02	19.90	(Note2)	(Note2)	-
	Cash flow adequacy ratio		10.54	112.27	309.52	160.99	146.87	-
	Cash reinvestment ratio		(Note2)	30.64	45.35	(Note2)	(Note2)	-
Leverage	Operating leverage		4.05	9.00	3.21	5.08	(Note3)	-
	Financial leverage		1.70	2.84	1.22	1.98	0.08	-

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysis less than 20%) :

Long-term debts to Net property, plant and equipment: The increase is mainly caused by the increase of long-term borrowings

Interest protection : The decrease is mainly caused by the increase of interest expense .

Return on assets : The increase is mainly caused by the increase of net income.

Return on equity : The increase is mainly caused by the increase of net income .

Net income ratio : The increase is mainly caused by the increase of net income .

EPS : The increase is mainly caused by the increase of net income

Financial leverage : The decrease is mainly caused by the decrease of operating income.

Note1 : The above financial information audited by CPA.

Note2 : The analysis of negative cash flow from operating activities is meaningless.

Note3 : Operation leverage is negative because of operating loss.

## 1. Financial Ratio

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

## 2. Ability to Pay off Debt

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

## 3. Ability to Operate

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

## 4. Earning Ability

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

## 5. Cash Flow

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

## 6. Leverage

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



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

The Board of Directors has prepared the Company's 2018 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 :



Mar 25, 2019

## **6.4 Financial statements of the latest year**

### **Representation Letter**

The entities that are required to be included in the combined financial statements of Wistron Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wistron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Wistron Corporation  
Simon Lin  
March 25, 2019





安侯建業聯合會計師事務所  
KPMG

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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, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits 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 (refund liability)

Please refer to Note 4(p), Note 5(a), and Note 6(v) of the consolidated financial statements.

#### Description of key audit matter

Provision of sales return and allowance (refund liability) 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 valued sales return and allowance.

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

Our principal audit procedures included testing the Group's controls surrounding the revenue recognition for key manual and systems based controls, tracing general ledger to sales systems and reconciling their differences, as well as assessing the appropriateness in applying accounting policies to revenue recognition process. Also, audit work, in respect of the accrual for rebates and returns, our audit involved testing the key management controls over the claims and credits. In order to assess the reasonableness of the estimates for such accruals, we considered the appropriateness of the calculation, imputed parameters, key assumptions, and the historical experience.

**2. Inventory valuation**

Please refer to Note 4(h), Note 5(b), and Note 6(h).

**Description of key audit matter**

Inventories are stated at the lower of cost or realizable value. The rapid development of technology and the advance of new electronic products can have a significant impact on market demand, which may lead to product obsolescence that will affect the cost of inventory to be higher than its 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 included 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.

**Other Matter**

Wistron Corporation has prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, 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, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 (including the Audit Committee) 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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 Lily Lu and Chia Hsin Chang.

KPMG 

Taipei, Taiwan (Republic of China)  
March 25, 2019

#### Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
WISTRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017		
	Amount	%	Amount	%	Amount	%	Amount	%	
	\$		\$		\$		\$		
<b>Assets</b>									
<b>Current assets:</b>									
1100 Cash and cash equivalents (note 6(a))	43,529,023	13	65,986,117	20	2100 Short-term loans (notes 6(n)(ab) and 8)	61,012,704	18	82,594,681	25
1110 Current financial assets at fair value through profit or loss (note 6(b))	67,755	-	51,475	-	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	74,336	-	222,241	-
1125 Current available-for-sale financial assets (note 6(d))	-	-	242,666	-	2130 Current contract liabilities (note 6(v))	1,601,713	-	-	-
1170 Notes and accounts receivable, net (notes 6(f)(v) and 7)	118,293,955	35	94,600,289	29	2170 Notes and accounts payable	138,389,226	41	132,133,770	40
1180 Accounts receivable - related parties (notes 6(f)(v) and 7)	58,988	-	51,462	-	2180 Accounts payable - related parties (note 7)	1,078,008	-	976,766	-
1210 Other receivables - related parties (notes 6(g) and 7)	1,111,267	-	1,018,582	-	2250 Other payables - related parties (note 7)	36,290	-	13,326	-
1220 Current tax assets	-	-	-	-	2322 Provisions (note 6(o))	-	-	1,940,586	1
130X Inventories (note 6(h))	89,614,023	26	92,240,622	28	2365 Current portion of long-term loans (notes 6(n)(ab) and 8)	4,917,958	1	8,133,960	3
1476 Other current financial assets	-	-	275,540	-	2399 Current refund liability (note 6(v))	-	-	-	-
1470 Other current assets (notes 6(f)(g)(m))	22,749,288	7	15,728,794	6		32,768,654	10	28,176,344	9
<b>Total current assets</b>	<b>275,427,144</b>	<b>81</b>	<b>270,205,662</b>	<b>83</b>	<b>Total current liabilities</b>	<b>239,878,889</b>	<b>70</b>	<b>254,191,674</b>	<b>78</b>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	438,871	-	-	-	2540 Long-term loans (notes 6(n)(ab) and 8)	20,234,382	6	735,316	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	3,219,465	1	-	-	2570 Deferred tax liabilities (note (f))	3,209,855	1	3,456,536	1
1523 Non-current available-for-sale financial assets (note 6(d))	-	-	2,634,133	1		2,247,867	1	1,850,794	1
1543 Non-current financial assets carried at cost (note 6(c))	-	-	1,545,840	-	<b>Total non-current liabilities</b>	<b>25,692,104</b>	<b>8</b>	<b>6,040,646</b>	<b>2</b>
1550 Equity - accounted investees (note 6(i))	6,514,305	2	6,120,725	2	<b>Total liabilities</b>	<b>265,570,993</b>	<b>78</b>	<b>260,232,320</b>	<b>80</b>
1600 Property, plant and equipment (notes 6(k) and 7)	42,868,387	13	36,653,350	11	<b>Equity attributable to owners of parent (notes 6(c)(r)(s)(t)):</b>				
1780 Intangible assets (note 6(i))	1,077,197	-	1,057,624	-	Capital stock	28,421,220	8	27,486,880	8
1840 Deferred tax assets (note 6(r))	5,776,897	2	4,913,434	2	Capital surplus	22,863,619	7	22,076,225	7
1900 Other non-current assets (notes 6(m)(q) and 8)	3,780,309	1	3,522,614	1	Retained earnings	22,321,828	7	21,326,529	7
					Other equity interest	(4,128,234)	(1)	(4,010,255)	(1)
					Treasury shares	(533,236)	-	(1,753,005)	(1)
					<b>Total equity attributable to owners of parent</b>	<b>68,945,197</b>	<b>21</b>	<b>65,126,374</b>	<b>20</b>
					<b>Non-controlling interests (note 6(j))</b>	<b>4,586,385</b>	<b>1</b>	<b>1,294,688</b>	<b>-</b>
					<b>Total equity</b>	<b>73,531,582</b>	<b>22</b>	<b>66,421,062</b>	<b>20</b>
<b>Total assets</b>	<b>\$ 339,102,575</b>	<b>100</b>	<b>\$ 326,653,382</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 339,102,575</b>	<b>100</b>	<b>\$ 326,653,382</b>	<b>100</b>

See accompanying notes to financial statements.

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

**WISTRON CORPORATION AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
4000 Net revenues (notes 6(o)(v)(w) and 7)	\$ 889,536,347	100	836,081,023	100
5000 Cost of sales (notes 6(h)(k)(l)(p)(q)(x), 7 and 12)	<u>851,977,091</u>	<u>96</u>	<u>804,441,620</u>	<u>96</u>
5900 Gross profit	<u>37,559,256</u>	<u>4</u>	<u>31,639,403</u>	<u>4</u>
<b>Operating expenses (notes 6(f)(k)(l)(p)(q)(x), 7 and 12):</b>				
6100 Selling	9,226,027	1	8,181,473	1
6200 Administrative	3,163,616	-	2,843,082	-
6300 Research and development	<u>14,403,597</u>	<u>2</u>	<u>14,701,037</u>	<u>2</u>
Total operating expenses	<u>26,793,240</u>	<u>3</u>	<u>25,725,592</u>	<u>3</u>
Operating income	<u>10,766,016</u>	<u>1</u>	<u>5,913,811</u>	<u>1</u>
<b>Non-operating income and expenses (notes 6(i)(p)(w)(x) and 7):</b>				
7010 Other income	1,342,857	-	1,314,145	-
7020 Other gains and losses	1,888,282	-	1,378,642	-
7050 Finance costs	(4,747,543)	-	(2,756,041)	-
7060 Recognized share of associates and joint ventures accounted for equity method	<u>409,226</u>	<u>-</u>	<u>307,854</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,107,178)</u>	<u>-</u>	<u>244,600</u>	<u>-</u>
7900 Profit before tax	9,658,838	1	6,158,411	1
7950 Less: income tax expense (note 6(r))	<u>2,373,649</u>	<u>-</u>	<u>1,796,920</u>	<u>-</u>
8200 Net profit	<u>7,285,189</u>	<u>1</u>	<u>4,361,491</u>	<u>1</u>
8300 Other comprehensive income (notes 6(i)(q)(r)(s)(y))				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Losses on remeasurements of defined benefit plans	(157,918)	-	(69,331)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(855,713)	-	-	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(3,361)	-	96	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(32,278)</u>	<u>-</u>	<u>(11,929)</u>	<u>-</u>
	<u>(984,714)</u>	<u>-</u>	<u>(57,306)</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8360 Exchange differences on translation of foreign financial statements	1,543,718	-	(3,932,360)	(1)
8362 Unrealized losses on valuation of available-for-sale financial assets	-	-	(836,636)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(40,048)	-	(84,862)	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>20</u>	<u>-</u>	<u>(90,091)</u>	<u>-</u>
	<u>1,503,650</u>	<u>-</u>	<u>(4,763,767)</u>	<u>(1)</u>
Total other comprehensive income, net of tax	<u>518,936</u>	<u>-</u>	<u>(4,821,073)</u>	<u>(1)</u>
8500 Total comprehensive income	<u>\$ 7,804,125</u>	<u>1</u>	<u>(459,582)</u>	<u>-</u>
<b>Net profit attributable to (note 6(j)):</b>				
8610 Owners of parent	\$ 4,908,472	1	3,885,516	1
8620 Non-controlling interests	<u>2,376,717</u>	<u>-</u>	<u>475,975</u>	<u>-</u>
	<u>\$ 7,285,189</u>	<u>1</u>	<u>4,361,491</u>	<u>1</u>
<b>Comprehensive income attributable to (note 6(j)):</b>				
8710 Owners of parent	\$ 5,350,283	1	(932,172)	-
8720 Non-controlling interests	<u>2,453,842</u>	<u>-</u>	<u>472,590</u>	<u>-</u>
	<u>\$ 7,804,125</u>	<u>1</u>	<u>(459,582)</u>	<u>-</u>
<b>Earnings per share (in dollars)(note 6(u))</b>				
9750 Basic earnings per share	<u>\$ 1.76</u>		<u>1.44</u>	
9850 Diluted earnings per share	<u>\$ 1.73</u>		<u>1.41</u>	

See accompanying notes to financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**WISTRON CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										Total equity				
	Retained earnings					Other equity									
Capital stock	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) / on available-for-sale financial assets	Other unearned compensation for restricted employee share of stock	Total	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at January 1, 2017</b>	\$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
Net profit	-	-	-	-	3,885,516	3,885,516	-	-	-	-	-	-	3,885,516	475,975	4,361,491
Other comprehensive income	-	-	-	-	(57,306)	(57,306)	(3,942,392)	-	(817,950)	-	(4,760,382)	-	(4,817,688)	(3,385)	(4,821,073)
Total comprehensive income	-	-	-	-	3,828,210	3,828,210	(3,942,392)	-	(817,950)	-	(4,760,382)	-	(932,172)	472,590	(459,582)
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	296,110	-	(296,110)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,042,169)	(3,042,169)	-	-	-	-	-	-	(3,042,169)	-	(3,042,169)
Stock dividends	760,542	-	-	-	(760,542)	(760,542)	-	-	-	-	-	-	-	-	-
New share issued through employees' compensation	234,900	380,540	-	-	-	-	-	-	-	-	-	-	615,440	-	615,440
Changes in equity of associates and joint ventures accounted for using equity method	-	38,934	-	-	(41,924)	(41,924)	-	-	-	-	-	-	38,934	-	38,934
Treasury shares transferred to employees	-	(23,391)	-	-	(2,904)	(2,904)	-	-	-	-	-	839,273	773,958	-	773,958
Changes in ownership interests in subsidiaries	-	953	-	-	(2,904)	(2,904)	-	-	-	-	-	-	(1,951)	-	(1,951)
Share-based payment transactions	(11,727)	325,604	-	-	1,686	1,686	-	-	-	113,721	113,721	-	429,284	-	429,284
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	98,699	-	98,699
<b>Balance at December 31, 2017</b>	27,486,880	22,076,225	7,591,125	-	13,735,404	21,326,529	(2,740,965)	-	(1,269,290)	-	(4,010,255)	(1,753,005)	65,126,374	1,294,688	66,421,062
Effects of retrospective application	-	-	-	-	641,117	641,117	-	-	(2,069,890)	-	(800,600)	-	(159,483)	-	(159,483)
Balance at January 1, 2018 after adjustments	27,486,880	22,076,225	7,591,125	-	14,376,521	21,967,646	(2,740,965)	(2,069,890)	1,269,290	-	(4,810,855)	(1,753,005)	64,966,891	1,294,688	66,261,579
Net profit	-	-	-	-	4,908,472	4,908,472	1,448,373	(887,879)	-	-	560,494	-	4,508,472	2,376,717	7,285,189
Other comprehensive income	-	-	-	-	(118,683)	(118,683)	1,448,373	-	-	-	-	-	441,811	77,125	518,936
Total comprehensive income	-	-	-	-	4,789,789	4,789,789	1,448,373	(887,879)	-	-	560,494	-	5,350,283	2,453,842	7,804,125
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	388,552	-	(388,552)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,010,255	(4,010,255)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,208,199)	(3,208,199)	-	-	-	-	-	-	(3,208,199)	-	(3,208,199)
Stock dividends	802,050	-	-	-	(802,050)	(802,050)	-	-	-	-	-	-	-	-	-
New share issued through employees' compensation	301,402	409,906	-	-	-	-	-	-	-	-	-	-	711,308	-	711,308
Changes in equity of associates and joint ventures accounted for using equity method	-	359,615	-	-	379	379	-	-	-	-	-	-	359,994	-	359,994
Treasury shares retired	(169,112)	(129,116)	-	-	(73,591)	(73,591)	-	-	-	-	-	371,819	-	-	371,819
Treasury shares transferred to employees	-	(7,186)	-	-	(79,317)	(79,317)	-	-	-	-	-	847,950	761,447	-	761,447
Changes in ownership interests in subsidiaries	-	154,175	-	-	(150,702)	(150,702)	-	-	-	-	-	-	3,473	-	3,473
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(122,127)	(122,127)	-	122,127	-	-	122,127	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	837,855	837,855
<b>Balance at December 31, 2018</b>	\$28,421,220	22,863,619	7,979,677	4,010,255	10,331,896	22,321,826	(1,292,592)	(2,835,642)	-	-	(4,128,234)	(633,236)	68,945,107	4,586,385	73,531,492

See accompanying notes to financial statements.

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

## WISTRON CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows used in operating activities:</b>		
Profit before tax	\$ 9,658,838	6,158,411
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit</b>		
Depreciation expense	7,938,345	7,592,580
Amortization expense	311,116	315,209
Expected credit loss / Provision (reversal of provision) for bad debt expense	55,411	(42,378)
Net loss on financial assets or liabilities at fair value through profit or loss	98,188	404,559
Interest expense	4,747,543	2,756,041
Interest income	(1,071,586)	(1,078,725)
Dividend income	(149,758)	(137,054)
Compensation cost arising from share-based payments	105,898	443,049
Recognized share of associates and joint ventures accounted for equity method	(409,226)	(307,854)
Loss on disposal of property, plant and equipment	13,819	80,668
Property, plant and equipment reclassified as expenses	48,303	6,162
Other non-current assets reclassified as expenses	70,051	56,585
Gain on disposal of investments	(106,370)	(351,953)
Other investment loss (income)	(94,394)	14,049
Impairment loss on assets	-	54,876
<b>Total adjustments to reconcile profit</b>	<u>11,557,340</u>	<u>9,805,814</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in notes and accounts receivable	(22,772,441)	(7,574,170)
Increase in accounts receivable - related parties	(26,174)	(105,200)
Decrease (increase) in other receivable - related parties	23,839	(144,784)
Decrease (increase) in inventories	4,377,793	(30,823,106)
Increase in other current assets	<u>(7,065,234)</u>	<u>(5,407,885)</u>
<b>Total changes in operating assets</b>	<u>(25,462,217)</u>	<u>(44,055,145)</u>
<b>Changes in operating liabilities:</b>		
Decrease in current contract liabilities	(338,873)	-
Increase in notes and accounts payable	3,969,628	14,528,775
Increase (decrease) in accounts payable - related parties	232,131	(871,283)
Increase (decrease) in other payable - related parties	72,714	(184,507)
Decrease in provisions	-	(199,958)
Increase in current refund liability	1,020,320	-
Increase in other current liabilities	8,018,766	5,339,079
Increase (decrease) in other non-current liabilities	<u>(93,126)</u>	<u>41,395</u>
<b>Total changes in operating liabilities</b>	<u>12,881,560</u>	<u>18,653,501</u>
<b>Net changes in operating assets and liabilities</b>	<u>(12,580,657)</u>	<u>(25,401,644)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(1,023,317)</u>	<u>(15,595,830)</u>
<b>Cash generated from (used in) operations</b>	<u>8,635,521</u>	<u>(9,437,419)</u>
Interest received	1,265,370	1,175,540
Dividends received	526,962	505,361
Interest paid	(4,840,306)	(2,710,909)
Income taxes paid	<u>(1,431,460)</u>	<u>(2,671,559)</u>
<b>Net cash generated from (used in) operating activities</b>	<u>4,156,087</u>	<u>(13,138,986)</u>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(725,898)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,344	-
Return of financial assets at fair value through other comprehensive income	91,464	-
Acquisition of financial assets at fair value through profit or loss	(17,644,212)	-
Proceeds from disposal of financial assets at fair value through profit or loss	17,992,587	-
Acquisition of available-for-sale financial assets	-	(14,237,984)
Proceeds from disposal of available-for-sale financial assets	-	14,341,468
Increase in financial assets carried at cost	-	(198,112)
Return of capital of financial assets carried at cost	-	35,558
Addition to equity - accounted investees	(200,264)	(360,427)
Proceeds from disposal of equity - accounted investees	329,228	18
Acquisition of property, plant and equipment	(8,565,871)	(7,411,710)
Proceeds from disposal of property, plant and equipment	33,479	118,694
Decrease (increase) in refundable deposits	(8,899)	17,102
Increase in intangible assets	(330,052)	(126,666)
Decrease (increase) in other receivable- related parties	(3,886)	1,859
Increase in other current financial assets	-	(25,250)
Increase in other non-current assets	<u>(5,215,276)</u>	<u>(2,337,614)</u>
<b>Net cash flows used in investing activities</b>	<u>(14,226,256)</u>	<u>(10,183,064)</u>
<b>Cash flows generated from (used in) financing activities:</b>		
Increase in short-term loans	614,004,234	590,436,868
Repayments of short-term loans	(637,235,698)	(550,538,763)
Increase in long-term loans	21,590,472	10,872,489
Repayments of long-term loans	(10,539,915)	(15,014,094)
Increase (decrease) in guarantee deposits received	327,888	(263,782)
Cash dividends paid	(3,208,199)	(3,040,820)
Treasury shares transferred to employees	761,447	773,958
Change in non-controlling interests	<u>735,017</u>	<u>194,622</u>
<b>Net cash flows generated from (used in) financing activities</b>	<u>(13,564,754)</u>	<u>33,420,478</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>1,177,829</u>	<u>(1,673,361)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(22,457,094)</u>	<u>8,425,067</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>65,986,117</u>	<u>57,561,050</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 43,529,023</u>	<u>65,986,117</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**WISTRON CORPORATION AND SUBSIDIARIES**

**Notes To The Consolidated Financial Statements**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

**(1) Company history**

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

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

- (i) desktop computers, notebook computers, motherboards, servers, system platforms, high - speed and multi - function multiple - CPU computer systems, multi - media computers, network computers, consumer - type computers and special computers, micro-processors, CD - ROMs, PDAs, panel PCs, pocket computers and interface cards;
- (ii) video and internet telephones, video conferencing equipment and telecommunication equipment;
- (iii) digital satellite TV receivers, set - top boxes, digital video decoders and multi - media appliance products;
- (iv) digital cameras, CD - ROM drives and DVD - ROM drives;
- (v) wireless receiver products (mobile phones, wireless LAN cards, and Bluetooth communication modules);
- (vi) LCD TVs and other electronic audio & visual products;
- (vii) design and merchandising of computer software and programs;
- (viii) import and export trade relevant to the business of this company;
- (ix) maintenance and cleaning of electronics products;
- (x) recycling of electronic waste;
- (xi) in vitro diagnostic device, physiological signal diagnostic device and medical data system;
- (xii) manufacturing, processing and selling of electronic products for automobile.

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

The consolidated financial statements for the years ended December 31, 2018 and 2017 were authorized for issuance by the Board of Directors on March 25, 2019.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 :

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows - Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sales of products, revenue is currently recognized based on the individual terms of each sales agreement when (i) related risks and rewards of ownership are transferred (ii) sales and costs can be measured reliably and their recoverability is probable (iii) and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control over the goods. The Group assessed that the point at which the risks and rewards of ownership transfer is when the control of the promised goods and services are transferred to the customers.

The Group provides warranties for different categories of products. The warranty provision is currently estimated based on the probability of repair or replacement of the products. Under IFRS 15, the warranties are identified as assurance-type warranties and service-type warranties. If the Group provide the service-type warranties, that warranties should be accounted for as a separate performance obligation.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
<b>Impacted line items on the consolidated balance sheet</b>						
Provisions	\$ 1,601,713	(1,601,713)	-	1,940,586	(1,940,586)	-
Current contract liabilities	-	1,601,713	1,601,713	-	1,940,586	1,940,586
Other current liabilities	4,917,958	(4,917,958)	-	3,897,638	(3,897,638)	-
Current refund liability	-	4,917,958	4,917,958	-	3,897,638	3,897,638
<b>Impact on liabilities</b>		<b>\$ -</b>			<b>-</b>	

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Impacted line items on the consolidated statement of cash flows</u>	<u>For the year ended December 31, 2018</u>		
	<u>Balances prior to the adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balances upon adoption of IFRS 15</u>
<b>Cash flows from operating activities:</b>			
<b>Adjustments:</b>			
Provisions	\$ (338,873)	338,873	-
Current contract liabilities	-	(338,873)	(338,873)
Other current liabilities	1,020,320	(1,020,320)	-
Current refund liability	-	<u>1,020,320</u>	1,020,320
<b>Impact on net cash flows from (used in) operating activities</b>		<u>\$ -</u>	

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments and impairment.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see Note 4(g).

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

#### 2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see Note 4(g).

#### 3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

#### 4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets as of January 1, 2018.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables	\$ 65,986,117	Amortized cost	65,986,117
Notes and accounts receivables	Loans and receivables	75,520,209	Amortized cost	75,520,209
Notes and accounts receivables	Loans and receivables	19,131,542	Fair value through other comprehensive income	19,131,542
Derivative instruments	Held-for-trading	51,475	Mandatorily measured at fair value through profit or loss	51,475
Other financial assets	Fair value through profit or loss	275,540	Mandatorily measured at fair value through profit or loss	275,540
	Available-for-sale	242,666	Mandatorily measured at fair value through profit or loss	242,666
	Financial assets carried at cost	741,717	Mandatorily measured at fair value through profit or loss	540,476
	Available-for-sale	2,634,133	Fair value through other comprehensive income	2,634,133
	Financial assets carried at cost	804,123	Fair value through other comprehensive income	784,553
Other non-current assets (Refundable deposits and restricted deposits)	Loans and receivables	415,632	Amortized cost	415,632

The following tables reconcile the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity	Note
<b>Fair value through profit or loss</b>							
Beginning balance of FVTPL (IAS 39)	\$ 51,475	-	-	-	-	-	
Additions:							
From available-for-sale	-	242,666	-	-	910	(910)	(Note 1)
From other financial assets	-	275,540	-	-	-	-	
From financial assets carried at cost	-	741,717	(201,241)	-	(201,241)	-	(Note 2)
Total	\$ 51,475	1,259,923	(201,241)	1,110,157	(200,331)	(910)	
<b>Fair value through other comprehensive income</b>							
Beginning balance of available-for-sale (IAS 39)	\$ 2,634,133	(2,634,133)	-	-	-	-	
Beginning balance of financial assets carried at cost (IAS 39)	804,123	(804,123)	-	-	-	-	
Addition:							
Available-for-sale reclassified to FVOCI	-	2,634,133	-	-	593,894	(552,778)	
Financial assets carried at cost reclassified to FVOCI	-	804,123	(19,570)	-	128,500	(127,858)	
Total	\$ 3,438,256	-	(19,570)	3,418,686	722,394	(680,636)	(Note 3)

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Equity - accounted investees	\$ 6,120,725	-	6,120,725	119,054	(119,054)

(Note 1): Under IAS 39, these financial securities were categorized as available-for-sale because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as measured at FVTPL under IFRS 9. Accordingly, an increase of \$910 in retained earnings and a decrease of \$910 in other equity were recognized on January 1, 2018, respectively.

(Note 2): Under IAS 39, these financial securities were categorized as carried at cost. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as mandatorily measured at FVTPL. A decrease of \$201,241 in both mandatorily measured at fair value through profit or loss and retained earnings were recognized on January 1, 2018.

(Note 3): These equity securities (including available-for-sale and financial assets carried at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$722,394 in retained earnings and a decrease of \$680,636 in other equity were recognized on January 1, 2018, respectively.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ab).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC - 15 “Operating Leases – Incentives” and SIC - 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify the leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that the Group will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
  - determine the lease term by the measurement based on the projected status at the date of initial application to measure the lease liabilities.
- 3) The material impact identified is that the Group will have to recognize the additional right-of-use assets and lease liabilities for its offices, factories, dormitories and warehouses which were currently accounted for under the operating leases. The aforementioned impact would lead to the increases in right-of-use assets and lease liabilities by \$1,644,840 and \$1,698,090, respectively, and an decrease in retained earnings by \$54,346. The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the maximum leverage threshold in the loan covenant.
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Until the issuance date of the parent-company-only financial statements, the Group is evaluating the impact on its financial position and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

#### (4) Summary of significant accounting policies

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

##### (a) Statement of compliance

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss;
- 2) Financial assets measured at fair value through other comprehensive income;
- 3) Available-for-sale financial assets are measured at fair value;
- 4) The defined benefit liability is recognized as the present value of the defined obligation less the net value of plan assets.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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

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

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
the Company	International Standards Laboratory Corp. ("ISL", Taiwan)	100.00	100.00
the Company	Wistron Mexico, S.A. de C.V. ("WMX", Mexico)	100.00	100.00
the Company	Wistron Technology (Malaysia) Sdn. Bhd. ("WMY", Malaysia)	100.00	100.00
the Company	Wistron Mobile Solutions Corporation ("WCH", U.S.A.)	100.00	100.00
the Company	Wistron InfoComm (Czech), s.r.o. ("WCZ", Czech Republic)	100.00	100.00
the Company	Wistron Technology Service (America) Corporation ("WTS", U.S.A.)	100.00	100.00
the Company/WLB/WCL	Wiwynn Corporation ("WYHQ", Taiwan)	57.44	57.08
Cowin/AIHH	Wistron InfoComm (Zhongshan) Corporation ("WZS", China)	100.00	100.00
Win Smart	Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	100.00	100.00
Win Smart	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	100.00	100.00
Win Smart	Wistron InfoComm (Taizhou) Co., Ltd. ("WTZ", China)	100.00	100.00
Win Smart	Wistron InfoComm (CHONGQING) Co., Ltd. ("WCQ", China)	100.00	100.00
Win Smart	Wiwynn Technology Service (Beijing) Limited ("WYBJ", China)	(Note 1)	100.00
Win Smart	Wistron InfoComm Technology Service (Kunshan) Co., Ltd. ("WRKS", China)	100.00	100.00
WSC	Wistron InfoComm (Chengdu) Co., Ltd. ("WCD", China)	100.00	100.00
WDC	Wistron Optronics (Kunshan) Co., Ltd. ("WOK", China)	100.00	100.00
WHHK	Wistron InfoComm (Qingdao) Co., Ltd. ("WQD", China)	(Note 2)	100.00
WVS	Wistron InfoComm Technology (Zhongshan) Co., Ltd. ("WTZS", China)	100.00	100.00
WEH	Polymer Vision B.V. ("WPV", Holland)	100.00	100.00
WCL	Creator Technology B.V. ("WCT", Holland)	100.00	100.00
WCL	Abilliant Corporation ("WAC", Taiwan)	100.00	-
WYHQ	Wiwynn Technology Service Japan, Inc. ("WYJP", Japan)	57.44	57.08
WYHQ	Wiwynn International Corporation ("WYUDE", U.S.A.)	57.44	57.08
WYHQ	Wiwynn Korea Ltd. ("WYKR", South Korea)	57.44	57.08
WYHQ	WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD. ("WYMY", Malaysia)	57.44	57.08
WYHK	Wiwynn Technology Service Kunshan, Ltd. ("WYKS", China)	57.44	57.08
WMH	Wistron Medical Technology Corporation ("WMT", Taiwan)	100.00	100.00
WMT	Wistron Medical Tech (Chongqing) Co., Ltd. ("WMCQ", China)	100.00	100.00
WSSG/WHK	Wistron InfoComm Manufacturing (India) Private Limited ("WMI", India)	100.00	-

(Note 1): WYBJ was dissolved and completed the liquidation in 2018Q2.

(Note 2): WQD was dissolved and completed the liquidation in 2018Q1.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
the Company	Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	100.00	100.00
the Company	All Holding Corporation ("AIHH", British Virgin Islands)	100.00	100.00
the Company	SMS InfoComm Corporation ("WTX", U.S.A.)	100.00	100.00
the Company	WiAdvance Technology Corporation ("AGI", Taiwan)	99.99	99.95
the Company	Anwith Technology Corporation ("WCHQ", Taiwan)	100.00	100.00
the Company	SMS InfoComm (Singapore) Pte. Ltd. ("WSSG", Singapore)	100.00	100.00
the Company	Service Management Solutions Colombia S.A.S. ("WSCO", Colombia)	100.00	100.00
the Company	Service Management Solutions Mexico SA de C.V. ("WSMX", Mexico)	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation ("WSPH", Philippines)	100.00	100.00
the Company	ANWITH SERVICE CO., LTD. ("WSTH", Thailand)	100.00	100.00
the Company	Anwith Corporation ("ANC", U.S.A.)	100.00	100.00
the Company	SMS InfoComm Global Service (CQ) ("WSCQ", China)	100.00	100.00
the Company	SMS InfoComm Chile Servicios Limitada ("WSCL", Chile)	100.00	100.00
the Company/AIHH	SMS InfoComm Technology Services and Management Solutions Ltd. ("WBR", Brazil)	100.00	100.00
the Company/WCL	SMS InfoComm Technology Services Limited Company ("WTR", Turkey)	100.00	100.00
WLLC	Wistron InfoComm Technology (America) Corporation ("WITX", U.S.A.)	100.00	100.00
WLLC	Wistron InfoComm Technology (Texas) Corporation ("WITT", U.S.A.)	100.00	100.00
Win Smart	Wistron Service (Kunshan) Corp. ("WSKS", China)	100.00	100.00
Win Smart	Wistron Hong Kong Limited ("WHK", Hong Kong)	100.00	100.00
Win Smart	SMS (Kunshan) Co., Ltd. ("WMKS", China)	100.00	100.00
WDC	Wistron Optronics (Shanghai) Co., Ltd. ("WOSH", China)	100.00	100.00
AIHH	Wistron K.K. ("WJP", Japan)	100.00	100.00
WSSG/WHK	ICT Service Management Solutions (India) Private Limited ("WIN", India)	100.00	100.00
WSSG	SMS INFOCOMM (MALAYSIA) SDN. BHD. ("WSMY", Malaysia)	100.00	100.00
WEH	SMS InfoComm (Czech) s.r.o. ("WSCZ", Czech Republic)	100.00	100.00
WHK	ANWITH (Kunshan) Co., LTD. ("WCKS", China)	(Note 3)	100.00

(Note 3): WCKS was dissolved and completed the liquidation in 2018Q3.

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

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
AIHH	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	100.00	100.00
WEDH	WIEDU SDN. BHD. ("WEMY", Malaysia)	100.00	100.00

- 4) Subsidiaries engaged in recycling of electronic products:

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
the Company	Wistron GreenTech (Texas) Corporation ("WGTX", U.S.A.)	100.00	100.00
WGHK	Wistron Advanced Materials (Kunshan) Co., Ltd. ("WGKS", China)	100.00	100.00

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
the Company	WiEdu Hong Kong Limited ("WEHK", Hong Kong)	100.00	100.00
WEHK	WIEDU CORPORATION ("WETW", Taiwan)	100.00	100.00
WEHK	Weshtek Information Technology Services Co., Ltd., Shanghai ("WESH", China)	100.00	100.00

- 6) Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership	
		December 31, 2018	December 31, 2017
the Company	Wise Cap Limited Company ("WCL", Taiwan)	100.00	100.00
the Company	Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	100.00	100.00
the Company	Wistron LLC ("WLLC", U.S.A.)	100.00	100.00
the Company	WisVision Corporation ("WVS", British Virgin Islands)	100.00	100.00
the Company	Wistron Advanced Materials (Hong Kong) Limited ("WGHK", Hong Kong)	100.00	100.00
the Company	WiEDU Holding Co., Ltd ("WEDH", Seychelles)	100.00	100.00
the Company	WiseCap (Hong Kong) Limited ("WCHK", Hong Kong)	100.00	100.00
WCL	LE BEN Investment Ltd ("WLB", Taiwan)	100.00	100.00
the Company/AIHH	Wistron Europe Holding Cooperatie U.A. ("WEH", Holland)	100.00	100.00
AIHH	WinDisplay Corporation ("WDC", British Virgin Islands)	100.00	100.00
Win Smart	Wistron Hong Kong Holding Limited ("WHHK", Hong Kong)	100.00	100.00
WHHK	Wistron Investment (Sichuan) Co., Ltd. ("WSC", China)	100.00	100.00
WYHQ	Wiwynn Technology Service Hong Kong Limited ("WYHK", Hong Kong)	57.44	57.08
the Company	Wistron Medical Tech Holding Company ("WMH", Taiwan)	100.00	100.00
the Company	Wistron Digital Technology Holding Company ("WDH", Taiwan)	100.00	100.00

- (iii) Subsidiaries excluded from consolidated: None.

- (d) Foreign currency

- (i) Foreign currency transaction

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

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

- Fair value through other comprehensive income (Available-for sale) equity investment.
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

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

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

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

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

The entity shall classify an asset as current when:

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

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

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

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

1) Classification of financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

A) Financial assets measured at amortized cost

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

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss.

#### B) Fair value through other comprehensive income (FVOCI )

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

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

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss ; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### C) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

#### 2) Impairment of financial assets

The Group's recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents notes, accounts receivable, other receivable and guarantee deposits), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. The Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed; both qualitative and quantitative information and also basing on the Group's historical experiences. For the financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Financial assets (policy applicable before January 1, 2018)

1) Classification of financial assets

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

A) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value subsequently and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other income.

B) Available-for sale financial assets

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

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

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

C) Loans and receivables

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 2) Impairment of financial assets

Except for financial assets at fair value through profit or loss financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income.

#### (iii) Financial liabilities

##### 1) Classification of debt or equity

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

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

Interest related to the financial liability is recognized in profit or loss, and included in finance costs.

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

##### A) Financial liabilities at fair value through profit or loss

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

##### B) Other financial liabilities

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Derecognition of financial liabilities

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

#### (iv) Offsetting of financial assets and liabilities

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

#### (v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in other gains and losses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the standard cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

#### (i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control over their financial and operating policies.

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

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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

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

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

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

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

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

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

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

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

- 1) Buildings and improvements: 20 to 50 years
- 2) Machinery and equipment: 3 to 10 years
- 3) Molding equipment: 1 year
- 4) Research and development equipment: 3 to 5 years
- 5) Furniture, fixtures and other equipment: 3 to 10 years

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

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(k) Lease

(i) Lessor

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

(ii) Lessee

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

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

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

(l) Intangible assets

(i) Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

Investor-level goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

(ii) Other Intangible Assets

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

(iii) Subsequent Expenditure

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

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iv) Amortization

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

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

- 1) Patents: 3 to 10 years
- 2) Software: 3 to 10 years
- 3) Customer relationships: 5 years

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

#### (m) Impairment-Non-derivative financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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

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

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

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

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(n) Provisions

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

(o) Treasury shares

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

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

(p) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

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

1) Sale of goods

The Group manufactures and sells electronic products to international brand customers. The Group recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the related risk and rewards of ownership are transferred, and there is no continuing management involvement with the goods. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group often offers volume discounts to its customers based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Group provides customers with the extended warranty. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Group would sell the product and the extended warranty separately in similar circumstances and to similar customers. The Group recognizes revenue for the service-type warranty on a straight-line basis over the extended warranty period.

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

2) Service revenue

The Group renders repair service. The Group will recognize the revenue when the performance obligation is completed.

3) Financing components

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

(ii) Revenue (applicable before January 1, 2018)

1) Goods sold

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

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Services

The Group renders repair services to its customer. Revenue from services provided is recognized in the stage of completion of the transaction.

#### (q) Employee benefits

##### (i) Defined contribution plans

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

##### (ii) Defined benefit plans

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

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

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

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(iii) Short-term employee benefits

Short-term employee benefit obligation are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

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

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

The grant date of share-based payment is the date that the subscription price and shares are authorized by the Board of Directors.

(s) Income Taxes

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

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

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

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

- (t) Earnings per share

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

- (u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses including revenues and expenses relating to transactions with other components of the Group. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

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

##### (a) Provision of sales return and allowance

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

##### (b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of the inventory is mainly determined basing on the demand of products in the future. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(h) for further description of the valuation of inventories.

#### (6) Explanation of significant accounts

##### (a) Cash and cash equivalents

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 27,302	22,976
Demand and check deposits	34,670,531	47,371,388
Time deposits	<u>8,831,190</u>	<u>21,204,669</u>
Cash and cash equivalents	43,529,023	68,599,033
Bank overdrafts used for cash management purposes	<u>-</u>	<u>(2,612,916)</u>
Cash and cash equivalents in consolidated statement of cash flows	<b><u>\$ 43,529,023</u></b>	<b><u>65,986,117</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(i) Current financial assets at fair value through profit or loss:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	\$ 11,755	-
Foreign currency forward contracts	5,895	-
Non-derivative financial assets		
Money market fund	50,105	-
Financial assets held-for-trading:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	-	5,022
Foreign currency forward contracts	-	46,453
	<u>\$ 67,755</u>	<u>51,475</u>

(ii) Current financial liabilities at fair value through profit or loss:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial liabilities at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	\$ 63,029	155,740
Foreign currency forward contracts	11,307	66,501
	<u>\$ 74,336</u>	<u>222,241</u>

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating, financing and investing activities. As of December 31, 2018 and 2017, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

<u>December 31, 2018</u>		<u>December 31, 2017</u>	
<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Amount (in thousands)</u>	<u>Currency</u>
<u>EUR 6,000</u>	EUR Put / USD Call	<u>EUR 18,500</u>	EUR Put / USD Call
<u>USD 1,070,000</u>	TWD Put / USD Call	<u>USD 1,116,000</u>	TWD Put / USD Call
-	-	<u>USD 3,400</u>	CNY Put / USD Call

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Foreign currency forward contracts:

December 31, 2018		December 31, 2017	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
USD 13,000	USD Put / CNY Call	USD 91,000	USD Put / CNY Call
USD 222,000	TWD Put / USD Call	USD 400,000	TWD Put / USD Call
-	-	USD 15,000	CNY Put / USD Call

(iii) Non-current financial assets at fair value through profit or loss:

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Convertible bonds	\$ 425,043
Simple agreement for future equity	13,828
	\$ 438,871

Please refer to Note 6(w) for the measurement of fair value recognized in profit or loss.

(c) Non-current financial asset at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income:	
Listed companies	\$ 1,538,374
Unlisted companies	515,816
Unlisted fund	1,165,275
Total	\$ 3,219,465

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets carried at cost on December 31, 2017.

The Group has sold its shares held in Jafco Asia Technology Fund III, Jafco Asia Technology Fund IV, Gamania, Xplore Technologies Corp., FineMat Applied Materials Co., Ltd., Applied BioCode, Inc. and SSIWO Technologies Limited in 2018, with the fair value of \$21,344. The Group recognized a net loss of \$122,127, which was accounted for as other comprehensive income. The loss has been transferred to retained earnings.

(ii) For market risk, please refer to Note 6(y).

(iii) The aforementioned financial assets were not pledged as collateral.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Available-for-sale financial assets

	<b>December 31, 2017</b>
Current:	
Money market fund	<b>242,666</b>
Non-current:	
Listed companies	2,004,752
Unlisted companies	629,381
	<b>2,634,133</b>

(i) These investments were classified as non-current financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on December 31, 2018; please refer to Notes 6(b) and 6(c).

(ii) For market risk, please refer to Note 6(y).

(iii) As of December 31, 2017, the financial assets were not pledged.

(e) Non-current financial assets carried at cost

	<b>December 31, 2017</b>
Unlisted company	\$ 170,000
Unlisted fund	634,123
Others	741,717
	<b>\$ 1,545,840</b>

(i) Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, less impairment loss, and are accounted for under financial assets carried at cost as of December 31, 2017. These investments were classified as financial assets at fair value through other comprehensive income or at fair value through profit or loss on December 31, 2018.

(ii) The above financial assets were not pledged as collateral.

(f) Notes and accounts receivable

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Notes receivable measured at amortized cost	\$ 541,001	239,988
Accounts receivable - measured at amortized cost	108,685,774	95,138,957
Accounts receivable - measured at FVOCI	9,677,107	-
Accounts receivable - related parties - measured at amortized cost	58,988	51,462
Less: loss allowance	(609,927)	(778,656)
	<b>\$ 118,352,943</b>	<b>94,651,751</b>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group has managed a portion of its accounts receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018.

The Group applies the simplified approach to provide for expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	<b>Gross carrying amount</b>	<b>Weighted - average expected loss rate</b>	<b>Expected credit loss</b>
Current	\$ 117,709,988	0%~0.00003%	16
1 to 60 days past due	589,877	0%~0.018%	20
61 to 120 days past due	26,722	0%~0.299%	41
121 to 180 days past due	36,558	0%~0.854%	210
181 to 240 days past due	2,488	0%~1.982%	40
241 to 300 days past due	4,786	1.077%~15.174%	95
More than 301 days past due	592,451	4.347%~100%	591,857
<b>Total</b>	<b><u>\$ 118,962,870</u></b>		<b><u>592,279</u></b>

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, and accounts receivable - related parties which were past due but not impaired, were as follows:

	<b>December 31, 2017</b>
Past due 0~30 days	977,977
Past due 31~60 days	857,426
Past due 61~90 days	42,832
Past due 91~120 days	17,877
Past due over 120 days	13,913
	<b><u>1,910,025</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movement in the allowance for notes and accounts receivable were as follows:

	<b>January to December, 2018</b>	<b>January to December, 2017</b>	
		<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>
Balance on January 1, per IAS 39	778,656	622,827	198,915
Adjustment on initial application of IFRS 9	-		
Balance on January 1, per IFRS 9	778,656		
Impairment losses recognized (reversed)	55,411	(43,552)	1,174
Written off unrecoverable amount	(27,794)	(34)	-
Reclassification	(197,731)	-	-
Effect of changes in foreign exchange rates	1,385	(674)	-
Balance on December 31	<b>\$ 609,927</b>	<b>578,567</b>	<b>200,089</b>

As of December 31, 2018 and 2017, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

<b>December 31, 2018</b>					
<b>Factored amount</b>	<b>Factoring credit limit</b>	<b>Advance amount</b>	<b>Collateral</b>	<b>Important derecognition clause</b>	<b>Derecognized amount</b>
<b>\$ 2,643,752</b>	<b>3,771,888</b>	<b>2,421,354</b>	<b>691,000</b>	Without recourse	<b>2,488,954</b>
<b>December 31, 2017</b>					
<b>Factored amount</b>	<b>Factoring credit limit</b>	<b>Advance amount</b>	<b>Collateral</b>	<b>Important derecognition clause</b>	<b>Derecognized amount</b>
<b>\$ 3,251,055</b>	<b>4,756,003</b>	<b>3,105,943</b>	<b>691,000</b>	Without recourse	<b>3,151,082</b>

The above mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable was transferred. As of December 31, 2018 and 2017, included among the factored accounts receivable were accounts receivable of \$2,077,552 and \$1,347,309, respectively, which were yet to be factored by banks since the ownership and the significant risks were not transferred, therefore, they were included in "Other current assets" in the accompanying balance sheets.

For the years ended December 31, 2018 and 2017, the average annual interest rates on factored accounts receivable were 2%~3.81% and 1.38%~2.96%, respectively.

As of December 31, 2018 and 2017 the notes and accounts receivable were not pledged.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (g) Other receivables

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other current assets - other receivables	\$ 19,033,456	13,425,100
Other receivables - related parties	2,845	10,115
Less: loss allowance	<u>(197,731)</u>	<u>-</u>
	<b><u>\$ 18,838,570</u></b>	<b><u>13,435,215</u></b>

As of December 31, 2018, the Group recognized its expected credit loss of \$197,731. The aging analysis of other receivable which were past due not impaired, as of December 31, 2017, were as follow:

	<b>December 31, 2017</b>
Past due over 120 days	<b><u>\$ 197,731</u></b>

## (h) Inventories

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 38,714,668	34,875,628
Work in progress	4,874,805	4,133,704
Finished goods	33,452,423	41,300,500
Inventory in transit	<u>12,572,127</u>	<u>11,930,790</u>
	<b><u>\$ 89,614,023</u></b>	<b><u>92,240,622</u></b>

For the years ended December 31, 2018 and 2017, the details of cost of sales were as follows:

	<b>2018</b>	<b>2017</b>
Cost of goods sold	\$ 847,112,065	799,235,094
Loss on valuation of inventories	4,283,142	4,435,042
Gain on inventory physical count	(15,990)	(20,587)
Income from sale of scraps	(161,373)	(143,089)
Unallocated manufacturing overhead	<u>759,247</u>	<u>935,160</u>
	<b><u>\$ 851,977,091</u></b>	<b><u>804,441,620</u></b>

As of December 31, 2018 and 2017, the inventories were not pledged.

## (i) Equity-accounted investees

As of December 31, 2018 and 2017, the components of investments accounted for using the equity method were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Associates	<b><u>\$ 6,514,305</u></b>	<b><u>6,120,725</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) As of December 31, 2018 and 2017, the fair value of investments in associates of the Group for which there are public price quotations were as follows:

	December 31, 2018		December 31, 2017	
	Book value	Fair value	Book value	Fair value
WNC	\$ 3,781,144	7,182,191	3,543,154	7,742,970
WITS	505,732	1,069,597	275,015	346,180
Formosa Prosonic Industries Berhad	465,872	860,237	421,313	876,216
	<u>\$ 4,752,748</u>	<u>9,112,025</u>	<u>4,239,482</u>	<u>8,965,366</u>

- (ii) For the years ended December 31, 2018 and 2017, the recognized share of profits and other comprehensive income of associates were as follows:

	2018	2017
Attributable to the Group:		
Net profit	\$ 409,226	307,854
Other comprehensive income	(43,409)	(84,766)
Comprehensive income	<u>\$ 365,817</u>	<u>223,088</u>

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

	December 31, 2018	December 31, 2017
Total assets	\$ <u>54,982,471</u>	<u>47,045,787</u>
Total liabilities	\$ <u>30,034,318</u>	<u>24,326,511</u>
	2018	2017
Revenue	\$ <u>76,854,450</u>	<u>71,658,034</u>
Profit	\$ <u>1,860,344</u>	<u>1,551,006</u>

- (iv) Collateral

As of December 31, 2018 and 2017, the investments in aforementioned equity-accounted investees were not pledged as collateral.

- (j) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries was as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests	
		December 31, 2018	December 31, 2017
WYHQ	Taiwan	42.56 %	42.92 %

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The following information of the aforementioned subsidiary was not adjusted using the Group's percentage of controlling interest:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total assets	<b>\$ 28,204,042</b>	<b>25,872,934</b>
Total liabilities	<b>\$ 17,427,255</b>	<b>22,856,488</b>
	<b>2018</b>	<b>2017</b>
Revenue	<b>\$ 181,064,815</b>	<b>85,674,525</b>
Profit	<b>\$ 5,577,577</b>	<b>1,208,482</b>

#### (k) Property, plant and equipment

	Land	Building and improvements	Machinery and equipment	Molding equipment	Research and development equipment	Office equipment	Other equipment	Total
Cost or deemed cost:								
Balance at January 1, 2018	\$ 3,493,947	27,846,908	23,140,184	13,761,596	2,752,323	2,447,673	7,680,216	81,122,847
Additions	252	111,964	4,042,605	704,013	153,143	138,908	3,414,986	8,565,871
Reclassification (Note)	-	454,229	3,736,744	926,238	11,229	8,033	(448,543)	4,687,930
Reclassified as expense	-	-	-	-	(329)	(662)	(47,312)	(48,303)
Disposals	-	(222,522)	(816,929)	(867,203)	(192,502)	(143,307)	(707,793)	(2,950,256)
Effect of changes in foreign exchange rates	12,479	661,023	578,164	56,931	10,159	27,714	419,112	1,765,582
Balance at December 31, 2018	<b>\$ 3,506,678</b>	<b>28,851,602</b>	<b>30,680,768</b>	<b>14,581,575</b>	<b>2,734,023</b>	<b>2,478,359</b>	<b>10,310,666</b>	<b>93,143,671</b>
Balance at January 1, 2017	\$ 3,391,533	26,574,456	20,555,338	13,038,059	2,653,969	2,348,043	9,572,190	78,133,588
Additions	131,053	481,785	4,100,883	447,252	143,367	266,229	1,841,141	7,411,710
Reclassification (Note)	-	2,740,596	1,804,471	501,701	387	20,148	(2,460,397)	2,606,906
Reclassified as expense	-	(3,264)	(1,012)	(2,351)	(7)	-	472	(6,162)
Disposals	-	(252,864)	(1,834,065)	(187,404)	(6,054)	(96,498)	(704,549)	(3,081,434)
Effect of changes in foreign exchange rates	(28,639)	(1,693,801)	(1,485,431)	(35,661)	(39,339)	(90,249)	(568,641)	(3,941,761)
Balance at December 31, 2017	<b>\$ 3,493,947</b>	<b>27,846,908</b>	<b>23,140,184</b>	<b>13,761,596</b>	<b>2,752,323</b>	<b>2,447,673</b>	<b>7,680,216</b>	<b>81,122,847</b>
Accumulated depreciation and impairment loss:								
Balance at January 1, 2018	\$ -	10,135,569	11,677,712	13,246,431	2,356,474	1,973,805	5,079,506	44,469,497
Depreciation	-	1,789,829	3,535,594	1,222,522	209,907	196,726	983,767	7,938,345
Disposals	-	(222,522)	(822,660)	(865,806)	(190,883)	(140,053)	(661,034)	(2,902,958)
Effect of changes in foreign exchange rates	-	272,584	320,452	36,473	8,832	24,515	107,544	770,400
Balance at December 31, 2018	<b>\$ -</b>	<b>11,975,460</b>	<b>14,711,098</b>	<b>13,639,620</b>	<b>2,384,330</b>	<b>2,054,993</b>	<b>5,509,783</b>	<b>50,275,284</b>
Balance at January 1, 2017	\$ -	9,388,686	10,973,861	12,230,148	2,079,961	1,917,677	5,095,079	41,685,412
Depreciation	-	1,622,117	3,296,817	1,218,771	307,828	219,109	927,938	7,592,580
Reclassification	-	-	(55,347)	-	-	-	-	(55,347)
Reversal of impairment	-	-	(83,805)	-	-	-	-	(83,805)
Disposals	-	(252,747)	(1,689,197)	(187,404)	(3,792)	(94,053)	(654,879)	(2,882,072)
Effect of changes in foreign exchange rates	-	(622,487)	(764,617)	(15,084)	(27,523)	(68,928)	(288,632)	(1,787,271)
Balance at December 31, 2017	<b>\$ -</b>	<b>10,135,569</b>	<b>11,677,712</b>	<b>13,246,431</b>	<b>2,356,474</b>	<b>1,973,805</b>	<b>5,079,506</b>	<b>44,469,497</b>
Carrying value:								
Balance at December 31, 2018	<b>\$ 3,506,678</b>	<b>16,876,142</b>	<b>15,969,670</b>	<b>941,955</b>	<b>349,693</b>	<b>423,366</b>	<b>4,800,883</b>	<b>42,868,387</b>
Balance at December 31, 2017	<b>\$ 3,493,947</b>	<b>17,711,339</b>	<b>11,462,472</b>	<b>515,165</b>	<b>395,849</b>	<b>473,868</b>	<b>2,600,710</b>	<b>36,653,350</b>
Balance at January 1, 2017	<b>\$ 3,391,533</b>	<b>17,185,770</b>	<b>9,581,477</b>	<b>807,911</b>	<b>574,008</b>	<b>430,366</b>	<b>4,477,111</b>	<b>36,448,176</b>

(Note): Reclassifications are mainly transferring from other non-current assets - advance payment for equipments and reclassifying to expense.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2018 and 2017, were as follows:

	<u>Patent</u>	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationships</u>	<u>Other</u>	<u>Total</u>
Costs:						
Balance at January 1, 2018	\$ 1,076,982	561,485	2,187,480	69,313	264,800	4,160,060
Additions	-	-	329,806	246	-	330,052
Disposals	(6,249)	-	(1,802,854)	(4,762)	-	(1,813,865)
Effect of changes in foreign exchange rates	(454)	-	174	1,918	-	1,638
Balance at December 31, 2018	<u>\$ 1,070,279</u>	<u>561,485</u>	<u>714,606</u>	<u>66,715</u>	<u>264,800</u>	<u>2,677,885</u>
Balance at January 1, 2017	\$ 1,074,860	561,485	2,070,952	75,162	264,800	4,047,259
Additions	-	-	126,329	337	-	126,666
Disposals	-	-	(2,982)	(897)	-	(3,879)
Effect of changes in foreign exchange rates	2,122	-	(6,819)	(5,290)	-	(9,987)
Balance at December 31, 2017	<u>\$ 1,076,982</u>	<u>561,485</u>	<u>2,187,480</u>	<u>69,312</u>	<u>264,800</u>	<u>4,160,059</u>
Accumulated amortization:						
Balance at January 1, 2018	\$ 853,729	-	1,958,000	25,906	264,800	3,102,435
Amortization	69,141	-	234,578	7,397	-	311,116
Disposals	(6,249)	-	(1,802,854)	(4,762)	-	(1,813,865)
Effect of changes in foreign exchange rates	323	-	(90)	769	-	1,002
Balance at December 31, 2018	<u>\$ 916,944</u>	<u>-</u>	<u>389,634</u>	<u>29,310</u>	<u>264,800</u>	<u>1,600,688</u>
Balance at January 1, 2017	\$ 766,578	-	1,749,342	19,074	264,800	2,799,794
Amortization	88,027	-	218,045	9,137	-	315,209
Disposals	-	-	(2,982)	(897)	-	(3,879)
Effect of changes in foreign exchange rates	(876)	-	(6,405)	(1,408)	-	(8,689)
Balance at December 31, 2017	<u>\$ 853,729</u>	<u>-</u>	<u>1,958,000</u>	<u>25,906</u>	<u>264,800</u>	<u>3,102,435</u>
Carrying value :						
Balance at December 31, 2018	<u>\$ 153,335</u>	<u>561,485</u>	<u>324,972</u>	<u>37,405</u>	<u>-</u>	<u>1,077,197</u>
Balance at December 31, 2017	<u>\$ 223,253</u>	<u>561,485</u>	<u>229,480</u>	<u>43,406</u>	<u>-</u>	<u>1,057,624</u>
Balance at January 1, 2017	<u>\$ 308,282</u>	<u>561,485</u>	<u>321,610</u>	<u>56,088</u>	<u>-</u>	<u>1,247,465</u>

(i) Impairment testing for cash – generating units containing goodwill

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

The carrying amounts of goodwill were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Developing and manufacturing services cash-generating units	<u>\$ 561,485</u>	<u>561,485</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
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- 2) The recoverable amount of developing and manufacturing services cash-generating units (CGU) was based on its value-in-use, determining by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions used in the estimation of the value in use were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Revenue growth rate	15 %	20 %
After-tax discount rate	4.76 %	5.68 %

The key assumptions represents the management's evaluation of the future industry trends, and of which the external, internal and also historical information were considered. There was no impairment occurred as of December 31, 2018 and 2017.

- (ii) Collateral

As of December 31, 2018 and 2017, the intangible assets were not pledged as collateral.

- (m) Other current assets and non-current assets

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
(i) Other current assets:		
Other receivables, net	\$ 12,080,972	9,901,911
Prepaid royalties	349,859	513,096
Other prepayments	3,451,855	1,730,284
Tax refundable	6,754,753	3,523,189
Others	111,849	60,314
	<b>\$ 22,749,288</b>	<b>15,728,794</b>
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
(ii) Other non-current assets:		
Advance payment for equipments	\$ 563,177	735,258
Prepaid rent	2,521,602	2,110,887
Refundable deposits	266,335	244,918
Others	429,195	431,551
	<b>\$ 3,780,309</b>	<b>3,522,614</b>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (n) Bank loans

## (i) Short-term loans

<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	USD	2.85%~5.51%	2019/1/2~2019/10/24	\$ 55,756,006
Unsecured bank loans	JPY	0.33%~0.69%	2019/1/10~2019/2/1	631,224
Unsecured bank loans	BRL	8.75%~9.35%	2019/3/21~2019/5/24	179,805
Unsecured bank loans	NTD	1.41%~1.48%	2019/1/3~2019/6/23	44,775
Unsecured bank loans	EUR	0.00%~1.10%	2019/1/24~2019/2/28	561,770
Unsecured bank loans	CNY	4.00%	2019/1/4	443,075
Unsecured bank loans	CZK	2.65%~2.71%	2019/2/28	3,396,049
Total				<u>\$ 61,012,704</u>
Unused credit line				<u>\$ 146,841,181</u>

<b>December 31, 2017</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	USD	1.65%~4.21%	2018/1/2~2018/6/26	\$ 81,918,430
Unsecured bank loans	JPY	0.31%~0.67%	2018/1/15~2018/3/31	496,052
Unsecured bank loans	CNY	4.35%	2018/1/31	137,199
Unsecured bank loans	NTD	1.41%	2018/6/27	43,000
Total				<u>\$ 82,594,681</u>
Unused credit line				<u>\$ 92,557,709</u>

## (ii) Long-term loans

<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	USD	3.59%~3.86%	2021/5/23~2021/5/27	\$ 20,234,382
Unused credit line				<u>\$ 13,693,200</u>

<b>December 31, 2017</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank loans	USD	1.89%~2.74%	2018/9/22~2019/1/26	\$ 8,792,276
Unsecured bank loans	NTD	1.15%	2018/3/26	75,000
Subtotal				8,867,276
Less: current portion				(8,133,960)
Total				<u>\$ 733,316</u>
Unused credit line				<u>\$ 2,230,944</u>

## (iii) Breach of covenant

According to the Group's credit loan facility agreement with the banks, during the credit term, the Group is committed to maintain the financial ratios. If a breach of covenant occur, the Group's credit facility is immediately restricted, and without the consent of authorized banks, the credit facility is no longer available for the Group. The Group was in compliance with the above financial covenants as of December 31, 2018 and 2017.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) The interest expense for long-term loans and short-term loans for the years ended end December 31, 2018 and 2017 were disclosed in Note 6(w).

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

(o) Provisions

(i) Provisions for warranty

	<b>December 31, 2017</b>
Provisions for warranty	<b>\$ 1,940,586</b>
	<b>2017</b>
Balance at January 1	\$ 2,140,679
Provision made	1,752,063
Provision used	(1,950,111)
Effect of changes in foreign exchange rates	(2,045)
Balance at December 31	<b>\$ 1,940,586</b>

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

(ii) Provision of sales return and allowance

	<b>December 31, 2017</b>
Other current liabilities-Provision of sales return and allowance	<b>\$ 3,897,638</b>
	<b>2017</b>
Balance at January 1	\$ 4,918,511
Accrual	789,915
Payment	(1,810,788)
Balance at December 31	<b>\$ 3,897,638</b>

(p) Operating leases

(i) Lessee

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 804,288	523,802
Between one to five years	1,294,738	1,091,656
More than five years	47,199	144,825
	<b>\$ 2,146,225</b>	<b>1,760,283</b>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group leases land, a number of offices, factories, warehouses, staff dormitories and facilities under operating leases. The leases typically run for the periods of 1 to 12 years.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss in respect of operating leases, were \$925,092 and \$974,072, respectively.

(ii) Lessor

The Group leases a number of offices and factories under operating leases. The leases typically run for the periods of 1~2 year. For the years ended December 31, 2018 and 2017, rental income recognized in profit or loss, were \$121,513 and \$98,366, respectively. The future minimum income under non-cancellable lease are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 32,671	31,745
Between one to five years	-	330
	<b><u>\$ 32,671</u></b>	<b><u>32,075</u></b>

(q) Employee benefits

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Present value of defined benefit obligations	\$ 5,460	6,821
Fair value of plan assets	(6,260)	(7,951)
Net defined benefit assets (accounted for under “Other non-current assets”)	<b><u>\$ (800)</u></b>	<b><u>(1,130)</u></b>
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Present value of defined benefit obligations	\$ 2,132,940	2,010,098
Fair value of plan assets	(974,209)	(918,855)
Net defined benefit liabilities (accounted for under “Other non-current liabilities”)	<b><u>\$ 1,158,731</u></b>	<b><u>1,091,243</u></b>

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

1) Composition of plan assets

The domestic entities of the Group allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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

The Group's labor pension reserve account balance amounted to \$974,209 and \$926,806 as of December 31, 2018 and 2017. The utilization of the labor pension fund assets of the domestic entities of the Group includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

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

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ 2,016,919	1,919,706
Current service cost and interests	48,388	56,130
Benefit paid by the plan	(80,923)	(59,872)
Benefit paid by the Group	(22,078)	(4,796)
Net remeasurements of defined benefit liability		
- Actuarial losses arising from changes in financial assumptions	50,661	127,319
- Experience adjustments	123,052	(62,628)
- Losses arising from changes in demographic assumptions	1,934	-
Effect of employee transfer	(29)	43,765
Effect of change in foreign exchange rates	476	(2,705)
Balance at December 31	<u>\$ 2,138,400</u>	<u>2,016,919</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 926,806	916,465
Contribution from plan participants	101,974	62,258
Benefit paid by the plan	(80,923)	(59,872)
Expected return on plan assets	14,883	12,595
Net remeasurements of defined benefit liabilities (assets)		
- Return (loss) on plan assets	<u>17,729</u>	<u>(4,640)</u>
Balance at December 31	<u>\$ 980,469</u>	<u>926,806</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follow:

	<u>2018</u>	<u>2017</u>
Current service cost	\$ 15,401	29,120
Net interest on the net defined benefit liabilities	32,987	27,010
Net remeasurements of defined benefit liabilities (assets)		
- Loss (return) on plan assets	17,729	(4,640)
Actual return on plan assets	(32,612)	(7,955)
Exchange differences	<u>5</u>	<u>-</u>
	<u>\$ 33,510</u>	<u>43,535</u>
	<u>2018</u>	<u>2017</u>
Cost of sales	\$ 6,259	7,362
Selling expenses	7,293	8,520
Administrative expenses	5,745	6,133
Research and development expenses	<u>14,213</u>	<u>21,520</u>
	<u>\$ 33,510</u>	<u>43,535</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 5) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income

As of December 31, 2018 and 2017, the Group's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2018</u>	<u>2017</u>
Balance as of January 1	\$ 378,015	308,684
Recognized during the year	<u>157,918</u>	<u>69,331</u>
Balance as of December 31	<u><u>\$ 535,933</u></u>	<u><u>378,015</u></u>

- 6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.125%~7.7%	1.375%~6.0%
Future salary increases	0.62%~5%	1.350%~5%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after December 31, 2018 is \$34,758. The weighted average lifetime of the defined benefits plans is 15.21~19.62 years.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2018		
Discount rate	\$ (62,198)	64,828
Future salary increases	62,638	(60,403)
December 31, 2017		
Discount rate	(60,410)	62,957
Future salary increases	60,972	(58,838)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Defined contribution plans

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

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

The Group set aside \$478,853 and \$436,189 of the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017, respectively.

(r) Income Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing FY2018 the corporate income tax return..

(i) Income tax expense

- 1) The components of income tax expense for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ 2,946,493	1,566,967
Prior period adjustments	<u>443,714</u>	<u>339,684</u>
	<u>3,390,207</u>	<u>1,906,651</u>
Deferred tax benefit		
Origination and reversal of temporary difference	(1,094,969)	(109,731)
Effect on tax rate change on deferred income tax	<u>78,411</u>	<u>-</u>
	<u>(1,016,558)</u>	<u>(109,731)</u>
Income tax expense	<u>\$ 2,373,649</u>	<u>1,796,920</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) The amounts of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified to profit or loss subsequently:		
Remeasurements of the net defined benefit liability	\$ (42,600)	(11,929)
Unrealized gains (losses) on equity instruments as fair value through other comprehensive income	<u>10,322</u>	<u>-</u>
	<u>\$ (32,278)</u>	<u>(11,929)</u>
Items that may be reclassified to profit or loss subsequently:		
Exchange differences on translation of foreign financial statements	\$ 20	(282)
Unrealized gains (losses) on available-for-sale financial assets	<u>-</u>	<u>(89,809)</u>
	<u>\$ 20</u>	<u>(90,091)</u>

- 3) The reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Profit before tax	\$ <u>9,658,838</u>	<u>6,158,411</u>
Estimated income tax calculated based on the Company's statutory tax rate	1,931,768	1,046,930
Tax effects of different tax rates applicable in foreign jurisdiction	1,355,362	481,586
Surtax on undistributed earnings	31,395	5,806
Effect on tax rate change on deferred income tax	78,411	-
Non-deductible expense and loss	9,816	25,039
Tax-exempt income	(844,106)	(692,954)
Current-year losses for which no deferred tax asset was recognized	76,810	756,097
Change in unrecognized temporary differences	(1,139,023)	(451,115)
Prior-period tax adjustments	443,714	339,684
Others	<u>429,502</u>	<u>285,847</u>
	<u>\$ 2,373,649</u>	<u>1,796,920</u>

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred income tax assets and liability

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Unused tax losses carryforwards	\$ 1,887,914	1,811,104
Deductible temporary differences	967,287	787,870
	<b>\$ 2,855,201</b>	<b>2,598,974</b>

According to the Income Tax Act, the operating loss as examined and assessed by the local tax authorities can be carried forward for use as a deduction from taxable income over a period of prior years. As of December 31, 2018, the Group's recognized and unrecognized deferred tax assets resulted from loss carryforwards and the expiry year were as follows:

<b>Expiry year</b>	<b>Recognized unutilized deferred tax assets</b>	<b>Unrecognized unutilized deferred tax assets</b>	<b>Total</b>
2019	\$ 407,642	308,881	716,523
2020	136,298	328,446	464,744
2021	-	319,442	319,442
2022	2,676	270,136	272,812
2023	876	239,381	240,257
2024	-	211	211
2025	28,252	15,956	44,208
2026	7,253	44,379	51,632
2027	1,177	304,282	305,459
2028	363	23,231	23,594
After 2029	287,485	33,569	321,054
	<b>\$ 872,022</b>	<b>1,887,914</b>	<b>2,759,936</b>

b) Unrecognized deferred tax assets and liabilities on investment

As of December 31, 2018 and 2017, the temporary differences associated with investments in subsidiaries which not recognized as deferred income tax assets and liabilities were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
The temporary differences associated with investment in subsidiaries (tax amount):		
Unrecognized deferred tax assets	<b>\$ 721,687</b>	<b>514,333</b>
Unrecognized deferred tax liabilities	<b>\$ 2,667,234</b>	<b>1,348,794</b>

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Recognized share of losses of subsidiaries and associates accounted for equity method	Unrealized exchange loss	Current contract liabilities	Current refund liability	Allowance for inventory valuation losses and accrued expenses	Loss carryforwards	Tax difference arising from depreciation of property, plant and equipment	Unearned revenue	Others	Total
<b>Deferred tax assets:</b>										
Balance at January 1, 2018	\$ 347,741	895,923	322,960	731,613	283,135	910,853	706,126	59,629	655,454	4,913,434
Effects of retrospective application	-	-	-	-	-	-	-	-	87,057	87,057
Recognized in profit or loss	61,366	(727,756)	(164,797)	503,780	125,237	(38,831)	(136,181)	542,351	488,549	653,718
Recognized in other comprehensive income	-	-	-	-	-	-	-	-	122,688	122,688
Balance at December 31, 2018	<u>\$ 409,107</u>	<u>168,167</u>	<u>158,163</u>	<u>1,235,393</u>	<u>408,372</u>	<u>872,022</u>	<u>569,945</u>	<u>601,980</u>	<u>1,353,748</u>	<u>5,776,897</u>
Balance at January 1, 2017	\$ 331,991	36,876	363,315	998,407	285,648	1,571,744	730,550	72,260	600,614	4,991,405
Recognized in profit or loss	15,750	859,047	(40,355)	(266,794)	(2,513)	(660,891)	(24,424)	(12,631)	(46,898)	(179,709)
Recognized in other comprehensive income	-	-	-	-	-	-	-	-	101,738	101,738
Balance at December 31, 2017	<u>\$ 347,741</u>	<u>895,923</u>	<u>322,960</u>	<u>731,613</u>	<u>283,135</u>	<u>910,853</u>	<u>706,126</u>	<u>59,629</u>	<u>655,454</u>	<u>4,913,434</u>
<b>Deferred income tax liabilities:</b>										
Balance at January 1, 2018	\$		3,281,458		175,078		3,456,536			
Effects of retrospective application			-		25,729		25,729			
Recognized in profit or loss				(221,086)	(141,754)		(362,840)			
Recognized in other comprehensive income				-	90,430		90,430			
Balance at December 31, 2018	<u>\$</u>		<u>3,060,372</u>		<u>149,483</u>		<u>3,209,855</u>			
Balance at January 1, 2017	\$		3,511,376		234,882		3,746,258			
Recognized in profit or loss				(229,918)	(59,522)		(289,440)			
Recognized in other comprehensive income				-	(282)		(282)			
Balance at December 31, 2017	<u>\$</u>		<u>3,281,458</u>		<u>175,078</u>		<u>3,456,536</u>			

(iii) The Company's tax returns for the years through 2016 were examined and approved by the Taiwan National Tax Administration.

#### (s) Capital and Other Equities

As of December 31, 2018 and 2017, the Company's authorized common stock consisted of 4,000,000,000 and 4,000,000,000 shares, respectively, with a par value of \$10 per share, of which 2,842,122,000 shares and 2,748,688,000 shares, respectively, were issued and outstanding.

##### (i) Capital

On April 27, 2018, the Company's Board of Directors approved a resolution to distribute the employee remuneration amounting to \$711,308, consisting of 30,140,000 shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 6, 2018 by the Board of Directors. The relevant registration procedures had been completed.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On June 14, 2018, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$802,050, consisting of 80,205,000 shares, wherein, 30 shares per thousand shares were to be distributed as stock dividend. However, the Company transferred treasury stock to its employees and retired treasury stock in July, 2018. The stock distribution had been adjusted to 29.37095 shares per thousand shares accordingly. This distribution of retained earnings was passed during Board of Directors, with August 7, 2018 as the date of capital increase. The relevant registration procedures had been completed.

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company retired the expired treasury shares amounting to \$132,547 and \$36,565, consisting of 13,255,000 shares and 3,656,000 shares of the first and second batch respectively repurchased by the Company in 2015. The dates of capital decrease were July 14, 2018 and November 9, 2018, respectively wherein the relevant registration procedures had been completed.

On March 20, 2017, the Company's Board of Directors approved a resolution to distribute the employee remuneration amounting to \$615,440, consisting of 23,490,000 shares. All related registration procedures had been completed.

On June 14, 2017, the Company's shareholders approve a resolution to distribute the retained earnings with the amounts of \$760,542, consisting of 76,054,000 shares, wherein, 30 shares per thousand shares are to be distributed as stock dividend. However, the Company repurchased its treasury shares and transferred its treasury stock to employees. The distribution had been changed to 29.60839 shares per thousand shares accordingly. The dividend distribution date was set on August 8, 2017, and all related registration procedures had been completed.

The Company's Board of Directors approved a resolution to retire the restricted employee shares amounting to 1,173,000 shares, with a face value of \$11,727. The recognition date for capital reduction was November 10, 2017, and all related registration procedures had been completed.

#### (ii) Treasury Shares

- 1) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act. As of December 31, 2018 and 2017, the treasury shares repurchased were both 164,362,000 shares, and the shares transferred to employees were 123,089,000 shares and 83,668,000 shares, respectively. The 16,911,000 shares had been retired in July 2018 and November 2018, respectively. Therefore, the shares of treasury shares the Company hold as of December 31, 2018 and 2017 were 24,362,000 shares and 80,694,000 shares, respectively.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(iii) Capital surplus

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000
A premium issuance of common shares for cash	20,235,635	19,959,824
Surplus arising from equity-accounted investees	755,644	241,854
Employee stock options	-	9,113
Transaction of treasury shares	4,979	-
Other	<u>67,361</u>	<u>65,434</u>
	<u>\$ 22,863,619</u>	<u>22,076,225</u>

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

(iv) Unappropriated earnings

The Company's Articles of Incorporation provide that, when allocating the net profit for each fiscal year, the Company shall first offset its losses in previous years and then set aside the legal reserve at 10% of net profit until the accumulated legal reserve equals the Company's capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 10% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and presented for approval in the Company's shareholders' meeting.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Legal reserve

According to the ROC Company Act, a company shall first set aside 10% of its net profit as legal reserve. When the balance of such legal reserve reaches an amount that is equal to the paid-in capital, the appropriation to legal reserve is discontinued. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings (which does not qualify for earnings distribution) shall be reclassified as special earnings reserve to account for the cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

On November 21, 2012, the other unearned remuneration for restricted employee shares was not accounted for as contra account of other shareholders' equity in accordance with Decree No.1010051600 issued by the Securities and Futures Bureau.

3) Dividends

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

4) Earnings Distribution

The appropriation of 2017 and 2016 earnings that were approved at shareholder's meetings on June 14, 2018 and June 14, 2017, respectively, were as follows:

	<b>2017</b>	<b>2016</b>
Cash dividends	\$ 3,208,199	3,042,169
Stock dividends	802,050	760,542
	<b>\$ 4,010,249</b>	<b>3,802,711</b>

There was no difference between the aforementioned distribution and the amounts approved at the meeting of the Board of Directors . For further information, please refer to Market Observation Post System.

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 5) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
	Group	Associates	Group	Associates	Group	Associates
	Balance at January 1, 2018	\$ (2,571,841)	(169,124)	(1,289,170)	19,880	-
Effects of retrospective application	-	-	1,289,170	(19,880)	(1,986,413)	(83,477)
Balance at January 1, 2018 after adjustments	(2,571,841)	(169,124)	-	-	(1,986,413)	(83,477)
Foreign currency translation differences (net of tax)	1,466,576	(18,203)	-	-	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	-	-	(866,034)	(21,845)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	122,127	-
Balance at December 31, 2018	\$ <u>(1,105,265)</u>	<u>(187,327)</u>	<u>-</u>	<u>-</u>	<u>(2,730,320)</u>	<u>(105,322)</u>

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Other unearned compensation for restricted employee shares of stock	
	Group	Associates	Group	Associates	The Company	
	Balance at January 1, 2017	\$ 1,356,903	(155,476)	(542,394)	91,094	-
Foreign currency translation differences (net of tax)	(3,928,744)	(13,648)	-	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	(746,776)	(71,214)	-	-
Other-unearned compensation for restricted employee shares of stock	-	-	-	-	-	113,721
Balance at December 31, 2017	\$ <u>(2,571,841)</u>	<u>(169,124)</u>	<u>(1,289,170)</u>	<u>19,880</u>	<u>-</u>	<u>-</u>

#### 6) Non-controlling interests (net of tax)

	2018	2017
Balance on January 1	\$ 1,294,688	723,399
Profit attributable to non-controlling interests	2,376,717	475,975
Other comprehensive income attributable to non-controlling interests		
Exchange differences on translation of foreign financial statements	77,122	(3,334)
Unrealized gain on available-for-sale financial assets	-	(51)
Remeasurements of defined benefit plans	3	-
Dividends of non-controlling interests allocated by subsidiaries	(217,125)	(35,111)
Changes in non-controlling interests	1,054,980	133,810
Balance on December 31	<u>\$ 4,586,385</u>	<u>1,294,688</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(t) Share-based payment transactions

(i) Restricted employee shares

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

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

- 2) The number of the restricted employee shares (in thousands) for the year ended December 31, 2017 was as follows:

	<b>2017</b>
Outstanding at the beginning of year	\$ 18,776
Vested	(17,637)
Retired	(1,139)
Outstanding at the end of year	\$ -

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

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

- 4) For the year ended December 31, 2017 the accrued compensation cost for the restricted employee shares of stock amounted to \$427,935, was accounted for under cost of sales and operating expenses.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

5) As the third vesting period (the fourth year from the grant date) ended in August 2017, the Company decided to retrieve its restricted employee shares for employees who failed to qualify certain requirements, as well as its cash and stock dividends generated from the above mentioned restricted employee shares. Therefore, the retrieved cash dividends amounted to \$1,349 was retired in August 2017, and the restricted employee shares of 1,139,000 shares and the stock dividends of 34,000 shares were retired in the last quarter of 2017.

(ii) WYHQ-Employee stock option

As of December 31, 2018 and 2017, the information of WYHQ's employee stock options are as follows:

	<b>Equity-settled</b>		
	<b>2015 employee stock option certifications</b>	<b>2017 employee stock option certifications</b>	<b>2018 rights offering reserved for employee recognition</b>
Grant date	January 26, 2015	June 20, 2017	January 23, 2018
Grant quantity	1,000,000	8,000,000	3,000,000
Contrace period	5years	3years	-
Grant to	WYHQ's employee	WYHQ's employee	WYHQ's employee
Vesting conditions	(Note 1)	(Note 2)	Immediately

(Note 1): The exercise ratio of the employee stock options over the grant period are as follows:

<b>2015 employee stock option certifications</b>	
<b>Grant period</b>	<b>Exercise ratio (cumulative)</b>
February 15, 2017	1/3
February 15, 2018	2/3
February 15, 2019	3/3

(Note 2): The exercise ratio of the employee stock options over the grant period are as follows:

<b>2017 employee stock option certifications</b>	
<b>Grant period</b>	<b>Exercise ratio (cumulative)</b>
August 1, 2017	1/2
February 1, 2019	2/2

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Measurable parameter of fair value at grant date

a) Employee stock options plan

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

	<u>2015 employee stock options A</u>	<u>2017 employee stock options A</u>
Fair value at grant date (dollars)	\$ 7.19	4.54 / 6.24
Share price at grant date (dollars)	25.98	25.23
Exercise price (dollars)	17.40	25.00
Expected volatility	38.87 %	34.99 % / 39.93%
Expected life	2 years	1.56 years / 2.31 years
Risk-free interest rate	0.60 %	0.5053 % / 0.5936%

b) Rights offering reserved for employee recognition (rights offering reserved for employee recognition)

**2018 rights offering reserved for employee recognition**

Fair value at grant date (in dollars)	\$ 26
Share price at grant date (in dollars)	146
Exercise price (in dollars)	120
Weighed-average cost of capital	8.67 %
Adjustment ratio of liquidity shortage	15 %
Adjustment ratio of control shortage	20 %

2) Information on employee stock options plan

The shares (in thousands) of the employee stock options were as follows:

	<u>2018</u>		<u>2017</u>	
	Weighted-average exercise price (expressed in dollars)	Number of options (in thousands)	Weighted-average exercise price (expressed in dollars)	Number of options (in thousands)
Outstanding balance at the beginning of the year	\$ 20.28	4,603	10.60	856
Options granted	-	-	25.00	8,000
Options forfeited	-	(127)	-	(335)
Options exercised	14.48	(432)	20.98	(3,918)
Outstanding balance at the end of the year	17.50	<u>4,044</u>	20.28	<u>4,603</u>
Exercisable number as the end of the year		<u>123</u>		<u>282</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The outstanding employee stock options were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Range at exercise price (in dollars)	\$ 21.7 ~10	21.7 ~10
Weighted-average at remaining duration (years)	1.14	2.17

3) Employee expenses

	<u>2018</u>	<u>2017</u>
Expenses occurred form employee stock option certifications	\$ 27,898	15,114
Expenses occurred from rights offering reserved for employee recognition	<u>78,000</u>	<u>-</u>
Total	<u>\$ 105,898</u>	<u>15,114</u>

(u) Earnings per share

	<u>2018</u>	<u>2017</u>
Basic earnings per share:		
Net profit belonging to common shareholders	<u>\$ 4,908,472</u>	<u>3,885,516</u>
Weighted average common stock outstanding (in thousands)	<u>2,794,207</u>	<u>2,706,364</u>
Basic EPS (in dollars)	<u>\$ 1.76</u>	<u>1.44</u>
Diluted EPS:		
Net profit belonging to common shareholders	<u>\$ 4,908,472</u>	<u>3,885,516</u>
Weighted average common stock outstanding (in thousands)	2,794,207	2,706,364
Effect of potentially dilutive common stock (in thousands):		
Employees' compensation	46,236	34,719
Restricted employee shares	-	11,420
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>2,840,443</u>	<u>2,752,503</u>
Diluted EPS (in dollars)	<u>\$ 1.73</u>	<u>1.41</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets	
United states	\$ 343,578,397
China	243,544,193
Europe	158,066,268
Others	<u>144,347,489</u>
	<u>\$ 889,536,347</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>2018</b>
Major products	
Computer, Communication & Consumer electronics	\$ 803,305,340
Others	86,231,007
	<b>\$ 889,536,347</b>

For details on the revenue for the year ended December 31, 2017, please refer to Note 6(w).

(ii) Contract balances

	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable	\$ 541,001	239,988
Accounts receivable	118,362,881	95,138,957
Accounts receivable - related parties	58,988	51,462
Less: loss allowance	(609,927)	(778,656)
Total	<b>\$ 118,352,943</b>	<b>94,651,751</b>
	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Current contract liabilities-warranty	<b>\$ 1,601,713</b>	<b>1,940,586</b>
Current refund liability	<b>\$ 4,917,958</b>	<b>3,897,638</b>

For details on notes and accounts receivable and loss allowance, please refer to Note 6(f).

The amount of revenue recognized for the year December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$1,992,240. The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no other significant changes during the year.

(w) Revenue and non-operating income and expenses

(i) Revenue

	<b>2017</b>
Computer, Communication & Consumer electronics	\$ 757,311,857
Others	78,769,166
Total	<b>\$ 836,081,023</b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other income

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 1,071,586	1,078,725
Dividend income	149,758	137,054
Rental income	<u>121,513</u>	<u>98,366</u>
Total	<u>\$ 1,342,857</u>	<u>1,314,145</u>

(iii) Other gains and losses

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses), net	\$ (431,584)	2,746,378
Gains on disposal of investment, net	106,370	351,953
Losses on disposal of property plant and equipment, net	(13,819)	(80,668)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	1,817,144	(1,884,238)
Other investment income (losses), net	94,394	(14,049)
Impairment losses, net	-	(54,876)
Others	<u>315,777</u>	<u>314,142</u>
	<u>\$ 1,888,282</u>	<u>1,378,642</u>

(iv) Finance costs

	<u>2018</u>	<u>2017</u>
Interest expenses		
Bank loans	<u>\$ (4,747,543)</u>	<u>(2,756,041)</u>

(x) Employees' and directors' compensation

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

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

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Company's estimate of employees' and directors' compensation were as follows:

	<u>2018</u>	<u>2017</u>
Employees' compensation	\$ 700,154	711,308
Directors' compensation	<u>46,210</u>	<u>46,946</u>
	<u>\$ 746,364</u>	<u>758,254</u>

The amounts are calculated by the net profit before tax excluding employees' and directors' compensation, of each period multiplied by the percentage of employees' and directors' compensation as specified in the Company's Article of Incorporation. The amounts are accounted for under cost of sales and operating expense in 2018 and 2017. The numbers of shares distributed in 2017, was calculated basing on the closing price of the Company, one day before the date of the meeting of Board of Directors on April 27, 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017.

The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year.

(y) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Group's majority customers are in high-tech industries. To reduce concentration of credit risk, the Group evaluates its customers' financial positions periodically and requests its customers to provide collateral or promissory notes, if necessary. Besides, the Group periodically, evaluates the aging of accounts receivable and recognize as loss allowances for doubtful accounts. Furthermore, it buys insurance for the accounts receivable. As of December 31, 2018 and 2017, 65% and 67% respectively, of the Group's accounts receivable were concentrated on 5 specific customers therefore, the Company is exposed to credit risk.

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>As of December 31, 2018</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 61,012,704	61,152,327	61,152,327	-	-	-
Notes and accounts payable (including related parties)	139,467,234	139,467,234	139,467,234	-	-	-
Other payables (including related parties)	24,490,416	24,490,416	24,490,416	-	-	-
Long-term loans (including current portion)	20,234,382	22,097,524	-	-	22,097,524	-
Subtotal	<u>245,204,736</u>	<u>247,207,501</u>	<u>225,109,977</u>	<u>-</u>	<u>22,097,524</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	63,029	25,626,977	25,626,977	-	-	-
Inflow	-	(25,563,948)	(25,563,948)	-	-	-
Carrying amount	<u>63,029</u>	<u>63,029</u>	<u>63,029</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	11,307	11,307	11,307	-	-	-
Carrying amount	<u>11,307</u>	<u>11,307</u>	<u>11,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>74,336</u>	<u>74,336</u>	<u>74,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 245,279,072</u>	<u>247,281,837</u>	<u>225,184,313</u>	<u>-</u>	<u>22,097,524</u>	<u>-</u>
<b>As of December 31, 2017</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 82,594,681	82,710,699	82,710,699	-	-	-
Notes and accounts payable (including related parties)	133,110,536	133,110,536	133,110,536	-	-	-
Other payables (including related parties)	17,879,989	17,879,989	17,879,989	-	-	-
Long-term loans (including current portion)	8,867,276	9,042,220	8,288,034	754,186	-	-
Subtotal	<u>242,452,482</u>	<u>242,743,444</u>	<u>241,989,258</u>	<u>754,186</u>	<u>-</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	155,740	33,385,646	33,385,646	-	-	-
Inflow	-	(33,229,906)	(33,229,906)	-	-	-
Carrying amount	<u>155,740</u>	<u>155,740</u>	<u>155,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	\$ 66,501	514,221	514,221	-	-	-
Inflow	-	(447,720)	(447,720)	-	-	-
Carrying amount	<u>66,501</u>	<u>66,501</u>	<u>66,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>222,241</u>	<u>222,241</u>	<u>222,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 242,674,723</u>	<u>242,965,685</u>	<u>242,211,499</u>	<u>754,186</u>	<u>-</u>	<u>-</u>

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

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Market risk

1) Currency risk

a) Exposure to currency risk

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

	December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	807 USD/BRL=	3.875	24,793
	396 USD/COP=	3,312.300	12,168
	83 USD/CLP=	698.200	2,550
	181 USD/INR=	69.890	5,573
	3,323 USD/JPY=	110.780	102,115
	2,434 USD/MXN=	19.712	74,797
	2,836,772 USD/TWD=	30.733	87,182,508
	46,609 USD/CNY=	6.867	1,432,446
CNY	314,979 CNY/TWD=	4.476	1,409,690
	996,470 CNY/USD=	0.146	4,459,698
<u>Non-monetary items</u>			
USD	39,150 USD/TWD=	30.733	1,203,209
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	371 USD/BRL=	3.875	11,394
	4,093 USD/CLP=	698.200	125,798
	993 USD/COP=	3,312.300	30,528
	3,895 USD/CZK=	22.542	119,693
	20,414 USD/INR=	69.890	627,398
	9,513 USD/MXN=	19.712	292,368
	4,685,725 USD/TWD=	30.733	144,006,379
	46,234 USD/CNY=	6.867	1,420,901
CNY	7,747 CNY/TWD=	4.476	34,671
	3,188,202 CNY/USD=	0.146	14,268,801

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2017			
	Foreign currency (In thousands)	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	20,242	USD/BRL= 3.314	604,170
	67	USD/COP= 2,987.730	2,013
	40,952	USD/CZK= 21.402	1,222,339
	209	USD/CLP= 615.200	6,233
	407	USD/INR= 63.900	12,156
	15,433	USD/JPY= 112.660	460,637
	1,938	USD/MXN= 19.701	57,855
	2	USD/MYR= 4.058	60
	2,106,374	USD/TWD= 29.848	62,871,061
	136,649	USD/CNY= 6.527	4,078,689
CNY	43,898	CNY/TWD= 4.573	200,758
	1,026,249	CNY/USD= 0.153	4,693,345
<u>Non-monetary items</u>			
USD	58,885	USD/TWD= 29.848	1,757,602
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	10,393	USD/BRL= 3.314	310,220
	3,547	USD/CLP= 615.200	105,882
	43,261	USD/CZK= 21.402	1,291,267
	5	USD/HKD= 7.815	139
	20,909	USD/INR= 63.900	624,089
	26	USD/JPY= 112.660	769
	9,545	USD/MXN= 19.701	284,890
	3	USD/MYR= 4.058	80
	4,226,685	USD/TWD= 29.848	126,158,092
	32,305	USD/CNY= 6.527	964,232
	650	USD/COP= 2,987.730	19,401
CNY	2,938,968	CNY/USD= 0.153	13,440,783
	141	CNY/TWD= 4.573	645

b) Currency risk sensitivity analysis

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A Strengthening (weakening) 5 % of appreciation (depreciation) of the TWD against the USD and the CNY as of December 31, 2018 and 2017, would increase (decrease) the net profit after tax by \$2,649,264 and \$2,863,134, respectively. The analysis assumes that all other variables remain constant.

#### 2) Interest analysis

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

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

If the interest rate increase/decrease by 25 basis points, the Group's net profit after tax would decrease/increase by \$123,830 and \$45,434 for the years ended December 31, 2018 and 2017, with all other variable factors that remain constant. This is mainly due to the Group's borrowings in floating variable rate.

#### 3) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018	2017
<b>Price of securities at reporting date</b>	<b>After-tax other comprehensive income</b>	<b>After-tax other comprehensive income</b>
Increasing 3%	\$ <b>88,927</b>	<b>76,322</b>
Decreasing 3%	\$ <b>(88,927)</b>	<b>(76,322)</b>

#### 4) Fair value information

##### a) Fair value hierarchy

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

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2017				Total
	Carrying amount	Level 1	Level 2	Level 3	
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 82,594,681	-	-	-	-
Notes and accounts payable (including related parties)	133,110,536	-	-	-	-
Other payables (including related parties)	17,879,989	-	-	-	-
Long-term loans (including current portion)	8,867,276	-	-	-	-
Subtotal	<u>\$ 242,452,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

b) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

The fair value of financial instruments which traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center of central government bond, might be regarded as the fair value of the listed equity securities and debt instruments which is traded in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The listed stock is traded in the active market and its fair value is based on the quoted market price accordingly.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or the market transaction prices of the similar companies or other valuation techniques, including models, is calculated based on available market data at the reporting date.

The financial instrument of the Group is not traded in an active market, its fair value is determined as follows : The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### ii) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models.

Fair value of forward currency is usually determined by the forward currency exchange rate.

#### c) Transfer from Level 1 to Level 2: none

#### d) Changes between Level 3

The movement in the reconciliation of Level 3 fair values during the years ended December 31, 2018 was as follows:

	Fair value through profit or loss	Fair value through other comprehensive income	Total
	Non-derivative financial assets mandatorily measured at fair value through profit or loss	Unquoted equity instruments	
January 1, 2018	\$ -	-	-
Effects of retrospective application	816,016	1,413,934	2,229,950
January 1, 2018 after adjustments	816,016	1,413,934	2,229,950
Total gains and losses recognized			
In profit or loss	(211,901)	-	(211,901)
In other comprehensive income	-	(348,595)	(348,595)
Purchased	5,589,138	675,900	6,265,038
Disposal and return of capital	(5,714,717)	(108,724)	(5,823,441)
Effect of tax	-	4,544	4,544
Effect of exchange rate changes	1,331	3,036	4,367
Transfers into (out of) Level 3	(40,996)	40,996	-
December 31, 2018	<u>438,871</u>	<u>1,681,091</u>	<u>2,119,962</u>

For the year ended December 31, 2018, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets measured at fair value through other comprehensive income” were as follows:

	2018
Total gains and losses recognized:	
In profit or loss, and presented in “other gains and losses”	(211,901)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets measured at fair value through other comprehensive income”	(348,595)
	<u>(560,496)</u>

#### e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “financial assets measured at fair value through other comprehensive income – equity investments”.

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through profit or loss – SAFE and convertible bonds	Binary tree model	·EV/Revenue (as of December 31, 2018, were 1.13~ 2.72)	·The estimated fair value would increase if the multiplier was higher
Financial assets measured at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach – equity method	·Price – book ratio (as of December 31, 2018 were 0.02 ~ 4.8)  ·Market liquidity discount rate (as of December 31, 2018 was 20%)	·The estimated fair value would increase if the multiplier was higher  ·The estimated fair value would decrease if market liquidity discount rate was higher
	Net asset value method	·Net asset value	Not applicable

- f) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions.

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income :

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2018</b>						
Financial assets measured at fair value through profit or loss	EV/ Revenue	5%	\$ 19,830	(19,830)	-	-
Financial assets at fair value through other comprehensive income	Price book ratio	5%	-	-	25,791	(25,791)
	Market liquidity discount rate	5%	-	-	25,791	(25,791)
	Net asset value method	5%	-	-	58,264	(58,264)

(Continued)



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

#### 5) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the Section 42 of International Financial Reporting Standards No. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

December 31, 2018						
Financial assets that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other non-current assets	USD	17,302,924	17,302,924	-	-	-
	CNY	854,000	854,000	-	-	-
December 31, 2018						
Financial liabilities that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	USD	17,302,924	17,302,924	-	-	-
	CNY	854,000	854,000	-	-	-
December 31, 2017						
Financial assets that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other non-current assets	USD	22,617,003	22,617,003	-	-	-
	CNY	2,242,390	2,242,390	-	-	-
December 31, 2017						
Financial liabilities that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	USD	22,617,003	22,617,003	-	-	-
	CNY	2,242,390	2,242,390	-	-	-

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(z) Concentration of financial risk

(i) By using financial instruments, the Group is exposed to risks as below:

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Investments

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

#### 3) Guarantee

The Group only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The Group did not provide any guarantees to its any non-consolidated subsidiaries as of December 31, 2018 and 2017.

#### (iv) Liquidity risk

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

The loan was an important source of liquidity for the Group. As of December 31, 2018 and 2017, the Group has unused credit facilities for short-term and long-term loans of \$160,534,381 and \$94,788,653, respectively.

#### (v) Market risk

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

#### 1) Currency risk

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

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

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**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Interest risk

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

3) Other market price risk

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

(aa) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Group manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures as well as research and development expenses, to repay debts and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Group aims to enhance the returns of its shareholders through achieving an optimized debt-to equity ratio regularly.

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total liabilities	\$ 265,570,993	260,232,320
Less: cash and cash equivalents	<u>(43,529,023)</u>	<u>(65,986,117)</u>
Net debt	222,041,970	194,246,203
Total equity	<u>73,531,582</u>	<u>66,421,062</u>
Adjusted equity	<u>\$ 295,573,552</u>	<u>260,667,265</u>
Debt-to-equity ratio at December 31	<u>75.12%</u>	<u>74.52%</u>

(Note): Equity is total equity and net debt.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ab) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2018, were as follows:

	January 1, 2018	Cash flows		Non-cash	December 31, 2018
		Proceeds from debt	Repayments of debt	changes Foreign exchange movement	
Short-term loans	\$ 82,594,681	614,004,234	(637,235,698)	1,649,487	61,012,704
Long-term loans (including current portion)	8,867,276	21,590,472	(10,539,915)	316,549	20,234,382
Total liabilities from financing activities	\$ <u>91,461,957</u>	<u>635,594,706</u>	<u>(647,775,613)</u>	<u>1,966,036</u>	<u>81,247,086</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Names of the related parties	Relationship
T-CONN PRECISION(Zhongshan) CORPORATION (TZS)	Associate
T-CONN PRECISION CORPORATION (TPE)	Associate
HSIEH-YUH TECHNOLOGY CO., LTD. (HYBVI)	Associate
HSIEH-YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD. (HYZS)	Associate
Join-Link International Technology Co. Ltd. (JLH)	Associate
Great Connection Ltd. (GCL) (Note)	Associate
AOpen Inc. (AOI) (Note)	Associate
Aopen Information Products (Zhongshan) Inc. (AOZ) (Note)	Associate
ICA Inc. (CQIC)	Associate
Maya International Company, Ltd. (MAYA)	Associate
WNC (Kunshan) Corporation (NQJ)	Associate
NEWEB SERVICE (KUNSHAN) CORPORATION (NQC)	Associate
Webcom Communication (Kunshan) Corporation (NYC)	Associate
Wistron Neweb (Kunshan) Corporation (NQX)	Associate
Wistron NeWeb Corporation (WNC)	Associate
Fullerton Ltd. (FLT)	Associate
FREE Bionics Taiwan Inc. (FBTW)	Associate
WIS PRECISION (TAIZHOU) CO., LTD. (WPTZ)	Associate
WIBASE INDUSTRIAL SOLUTIONS INC. (WIS)	Associate
Wistron Information Technology and Services (Beijing) Inc. (WIBJ)	Associate
Wistron Information Technology and Services Corporation (WITS)	Associate
HIGH-TEK ENTERPRISE (KUNSHAN) CO., LTD. (HTKS)	Associate

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Names of the related parties	Relationship
High-Tek Harness Enterprise (Chongqing) Co.,Ltd. (HTCQ)	Associate
HIGH-TEK HARNESS ENTERPRISE CO.,LTD (HTK)	Associate
LIAN-YI PRECISION (ZHONGSHAN) INC. (LYZ)	Associate
AOPEN AUSTRALIA & NEW ZEALAND PTY LTD. (AOAU) (Note)	Associate
Aopen Japan Inc. (AOJ) (Note)	Associate
Formosa Prosonic Industries Berhad (FPI)	Associate
Free Bionics Japan Inc. (FBJP)	Associate
Optiemus Electronics Limited (OPEL)	Associate
Super Elite Ltd. (SEL)	Associate
Wistron Information Technology and Services Inc. (WIBI)	Associate
Xserve (BVI) Corp. (XBC)	Associate
WISTRON HUMANITIES FOUNDATION	Other related party

(Note): AOI was no longer as a related party of the Group from the first quarter of 2018, since the Group disposed partial equity of AOI in the last quarter of 2017, and AOI re-elected the directors in the first quarter of 2018.

(b) Related party transactions

(i) Sales

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

	Sales	
	2018	2017
Associates		
LYZ	\$ 50,111	47,276
WIS	33,041	3,874
FBTW	30,577	-
WNC	25,269	2,928
MAYA	18,264	5,396
AOI	-	43,107
Others	4,950	34,772
	<u>\$ 162,212</u>	<u>137,353</u>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Receivables from related parties</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Associates		
LYZ	\$ 26,708	31,010
WIS	8,844	509
OPEL	7,270	7,060
FBTW	6,331	-
AOI	-	6,893
Others	9,835	5,990
	<b><u>\$ 58,988</u></b>	<b><u>51,462</u></b>

The selling price and payment transaction terms of sales to related parties depend on the economic environment and market competition of the sales areas. There are not significant difference in the pricing and transaction terms from those with third-party customers.

(ii) Purchases

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

	<b>Purchases</b>	
	<b>2018</b>	<b>2017</b>
Associates		
HTK	\$ 483,900	388,387
TPE	482,747	384,038
LYZ	466,625	555,106
WNC	318,492	246,026
HYZS	262,523	282,744
Others	478,201	506,310
	<b><u>\$ 2,492,488</u></b>	<b><u>2,362,611</u></b>

	<b>Payables to related parties</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Associates		
LYZ	\$ 247,587	271,485
HTK	202,493	239,698
TPE	173,832	129,448
WNC	150,408	105,657
Others	303,688	230,478
	<b><u>\$ 1,078,008</u></b>	<b><u>976,766</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iii) Rental income and property transactions and their outstanding balance were as follows :

	<u>Amount</u>	
	<u>2018</u>	<u>2017</u>
Rental Income		
Associates		
NQJ	\$ 2,003	1,975
NQX	2,003	1,975
AOZ	-	4,453
Others	<u>342</u>	<u>373</u>
	<u>\$ 4,348</u>	<u>8,776</u>
	<u>2018</u>	<u>2017</u>
Property transactions		
Associates		
CQIC	\$ -	4,087
Others	<u>-</u>	<u>14</u>
	<u>\$ -</u>	<u>4,101</u>
	<u>Other receivables from related parties</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rental Income		
Associates		
NQJ	\$ 515	334
NQX	<u>171</u>	<u>335</u>
	<u>\$ 686</u>	<u>669</u>
Property transactions		
Associate		
CQIC	<u>\$ -</u>	<u>3,401</u>

(Continued)



**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Operating expenses and property transactions and their outstanding balances were as follows :

	Amount	
	2018	2017
Property transactions		
Associates		
LYZ	\$ 33,519	7,245
SEL	-	2,450
WNC	-	2,354
Others	54	108
	<b>\$ 33,573</b>	<b>12,157</b>
Contribution		
Other related party	<b>\$ 8,671</b>	<b>8,622</b>
	<b>Other payables to related parties</b>	<b>December 31,</b>
	<b>December 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
Property transactions		
Associate		
LYZ	<b>\$ 19,160</b>	<b>2,265</b>

(v) Advances to related parties

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

	Other receivables from related parties	
	December 31, 2018	December 31, 2017
Associates		
AOI	\$ -	1,208
WNC	1,043	507
JLH	643	655
CQIC	-	3,432
WIS	315	-
Others	158	243
	<b>\$ 2,159</b>	<b>6,045</b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Advances from related parties

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

	<b>Other payables to related parties</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Associates		
WITS	\$ 8,798	2,153
LYZ	5,759	74
WIS	1,680	7,198
FLT	-	1,492
Others	<u>893</u>	<u>144</u>
	<b><u>\$ 17,130</u></b>	<b><u>11,061</u></b>

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other receivable - related parties:		
Rental receivable	\$ 686	669
Receivable from sale of property, plant and equipment	-	3,401
Other receivables	<u>2,159</u>	<u>6,045</u>
	<b><u>\$ 2,845</u></b>	<b><u>10,115</u></b>

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other payables - related parties:		
Payable to purchase of property, plant and equipment	\$ 19,160	2,265
Others payable	<u>17,130</u>	<u>11,061</u>
	<b><u>\$ 36,290</u></b>	<b><u>13,326</u></b>

(c) Transactions with key management personnel

Key management personnel compensation:

	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 60,230	59,119
Post-employment benefits	<u>1,223</u>	<u>1,184</u>
	<b><u>\$ 61,453</u></b>	<b><u>60,303</u></b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other non-current assets -restricted bank deposits	Bank loan guarantee	\$ 155,155	-
Other non-current assets -restricted bank deposits	Stand by L/C	9,567	9,576
Other non-current assets -restricted bank deposits	Custom guarantee	6,147	8,970
Other non-current assets -restricted bank deposits	Litigation, and performance guarantee	1,585	1,428
Other non-current assets -restricted bank deposits	Foreign exchange guarantee	-	150,740
		<u>\$ 172,454</u>	<u>170,714</u>

**(9) Commitments and contingencies:**

(a) As of December 31, 2018, and 2017, the unused letters of credit were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unused letters of credit	<u>\$ 79,067</u>	<u>72,415</u>

(b) Major litigation

Qualcomm Inc. filed a patent infringement lawsuit against the Company and other three ODM companies in the United States District Court - Southern District of California on May 17, 2017. The above three ODM companies and the Company also filed a counterclaim against Qualcomm Inc. on July 19, 2017. The case is still in legal proceedings with the assistance of attorney.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events:**

(a) The appropriation of earnings for 2018 that was approved at the board of directors meeting on March 25, 2019, were as follows:

	<u>2018</u>
Common stock dividends	
Cash dividends	<u>\$ 4,226,640</u>

The appropriation of earnings for 2018 are to be presented for approval in the shareholders' meeting to be held in June 2019.

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other**

Total personnel, depreciation and amortization expenses categorized by function were as follows:

	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	18,286,231	11,090,099	29,376,330	17,035,078	10,746,442	27,781,520
Labor and health insurance	2,101,733	1,025,240	3,126,973	1,971,157	973,231	2,944,388
Pension	92,471	419,892	512,363	74,069	405,655	479,724
Remuneration of directors	-	47,050	47,050	-	47,556	47,556
Others	2,386,371	600,958	2,987,329	4,101,804	690,830	4,792,634
Depreciation	7,296,381	641,964	7,938,345	6,228,223	1,364,357	7,592,580
Amortization	10,883	300,233	311,116	10,889	304,320	315,209

**(13) Other disclosures:**

## (a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2018:

- (i) Financings provided: Please see Table 1 attached
- (ii) Guarantee and Endorsement provided: Please see Table 2 attached
- (iii) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 3 attached
- (iv) Accumulated buying/selling of the same marketable securities for which the dollar amount at least \$300 million or 20% of paid-in capital : Please see Table 4 attached
- (v) Acquisition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital : None
- (vi) Disposition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital : None
- (vii) Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 5 attached
- (viii) Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 6 attached

(Continued)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ix) Derivative transactions : Please refer to Note 6(b) for related information

(x) Business relationships and significant inter-company transactions : Please see Table 7 attached

(b) Information on investees:

The followings are the information on investees for the year ended December 31, 2018: Please see Table 8 attached

(c) Information on investment in Mainland China : Please see Table 9 attached

#### (14) Segment information:

(a) General information

The major activities of the Group are the design, manufacture and sale of information technology products. The chief operating decision maker of the Group determines each business group as an operating segment. According to the provisions of the accounting standard, only the "Research and Manufacturing Service Department" qualifies under the quantitative threshold criteria as a reportable segment. Other operating departments are deemed immaterial and need not be disclosed as reportable segment including the client service group and the related new business investment. The performance of the department is evaluated based on the operating profit of the Group.

(b) Profit or loss data of the reporting segment, assets and liabilities of the segment, the basis of measurement, and the related eliminations:

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. The reportable amount is similar to that in the report used by the chief operating decision maker. Besides, the operating segment accounting policies are similar to those described in Note 4 "significant accounting policies".

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

	2018			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 803,305,340	86,231,007	-	889,536,347
Segment revenues	3,535,106	1,186,100	(4,721,206)	-
<b>Total revenues</b>	<b>\$ 806,840,446</b>	<b>87,417,107</b>	<b>(4,721,206)</b>	<b>889,536,347</b>
<b>Segment profit</b>	<b>\$ 7,874,866</b>	<b>2,891,150</b>	<b>(1,107,178)</b>	<b>9,658,838</b>
	2017			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 757,311,857	78,769,166	-	836,081,023
Segment revenues	4,959,024	1,468,022	(6,427,046)	-
<b>Total revenues</b>	<b>\$ 762,270,881</b>	<b>80,237,188</b>	<b>(6,427,046)</b>	<b>836,081,023</b>
<b>Segment profit</b>	<b>\$ 5,246,624</b>	<b>667,187</b>	<b>244,600</b>	<b>6,158,411</b>

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2018			
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 87,741,802	30,552,153	-	118,293,955
Inventories	76,000,315	13,613,708	-	89,614,023
<b>Segment identifiable assets</b>	<b>\$ 163,742,117</b>	<b>44,165,861</b>	-	<b>207,907,978</b>
<b>General assets</b>				<b>131,194,597</b>
<b>Total assets</b>				<b>\$ 339,102,575</b>

	2017			
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 76,139,214	18,461,075	-	94,600,289
Inventories	82,866,931	9,373,691	-	92,240,622
<b>Segment identifiable assets</b>	<b>\$ 159,006,145</b>	<b>27,834,766</b>	-	<b>186,840,911</b>
<b>General assets</b>				<b>139,812,471</b>
<b>Total assets</b>				<b>\$ 326,653,382</b>

(c) Geographical information

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

Revenue from external customers:

Geography	2017
Taiwan	\$ 560,249,015
Asia	170,324,046
Others	105,507,962
	<b>\$ 836,081,023</b>

Non-current assets:

Geography	December 31, 2018	December 31, 2017
Taiwan	\$ 6,048,039	5,974,892
Asia	38,880,665	32,362,418
Others	2,235,704	2,334,793
	<b>\$ 47,164,408</b>	<b>40,672,103</b>

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

(Continued)

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Information about revenue from major customers

For the years ended December 31, 2018 and 2017, the amounts of sales to customers representing greater than 10% of net revenue were as follows:

<u>Customer</u>	<u>2018</u>		<u>2017</u>	
	<u>Net revenue</u>	<u>Percentage of net revenue</u>	<u>Net revenue</u>	<u>Percentage of net revenue</u>
Customer H	\$ 153,688,939	17	163,163,133	20
Customer G	141,140,593	16	213,969,248	26
Customer D	117,668,128	13	102,612,071	12
Customer I	90,858,378	10	49,008,940	6

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 1 Financing to other parties  
 (December 31, 2018)

(TWD : expressed in thousands)

No.	Financing Company	Counter - party	Financial Statement Account	Related party	Maximum Balance for the Period	Ending balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 2)	Transaction amounts	Reasons for short - term financing	Allowance for bad debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Notes
													Item	Value			
0	The Company	WSPH	Other receivables	Yes	537,793	-	-	1.50%	1	877,864	Business Contact	-	-	-	68,945,519	34,472,598	(Note 1 - Note 3 - Note 4 and Note 14)
1	WAKS	WTZ	Other receivables	Yes	4,609,650	3,073,300	3,073,300	1.50%-3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 5 & Note 14)
1	WAKS	WGS	Other receivables	Yes	1,161,488	608,513	608,513	1.50%-2.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 5 & Note 14)
1	WAKS	WOSH	Other receivables	Yes	291,405	153,665	138,741	4.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 5 & Note 14)
1	WAKS	WRKS	Other receivables	Yes	216,694	122,336	-	4.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 5 & Note 14)
1	WAKS	WSCQ	Other receivables	Yes	915,000	-	-	1.50%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 5 & Note 14)
2	WSSG	WETW	Other receivables	Yes	116,600	-	-	3.95%	2	-	Operating Capital	-	-	-	287,635	1,150,542	(Note 6 & Note 14)
3	WCQ	WTZ	Other receivables	Yes	6,126,300	3,073,300	3,073,300	1.50%-3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 7 & Note 14)
3	WCO	WSCQ	Other receivables	Yes	929,040	921,990	921,990	1.50%-2.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 7 & Note 14)
3	WCQ	WMCQ	Other receivables	Yes	154,840	153,665	153,665	3.00%-4.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 7 & Note 14)
4	AIH	WETW	Other receivables	Yes	154,840	153,665	153,665	2.00%	2	-	Operating Capital	-	-	-	5,189,880	2,075,952	(Note 8 & Note 14)
4	AIH	WSPH	Other receivables	Yes	541,940	537,828	537,828	3.00%	2	-	Operating Capital	-	-	-	5,189,880	5,189,880	(Note 8 & Note 14)
4	AIH	AGI	Other receivables	Yes	30,731	-	-	1.50%	2	-	Operating Capital	-	-	-	518,988	2,075,952	(Note 8 & Note 14)
5	WGH	WGTX	Other receivables	Yes	371,616	368,796	368,796	3.00%	2	-	Operating Capital	-	-	-	566,194	566,194	(Note 9 & Note 14)
5	WGH	WTS	Other receivables	Yes	9,255	9,220	9,220	3.00%	2	-	Operating Capital	-	-	-	566,194	566,194	(Note 9 & Note 14)
6	Win Smart	COWIN	Other receivables	Yes	3,155,955	3,143,986	3,143,986	3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 10 & Note 14)
7	WCHK	COWIN	Other receivables	Yes	113,712	113,712	113,712	3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 11 & Note 14)
8	WHHK	COWIN	Other receivables	Yes	215,131	215,131	215,131	3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 12 & Note 14)
9	WVS	COWIN	Other receivables	Yes	66,076	66,076	66,076	3.00%	2	-	Operating Capital	-	-	-	68,945,197	68,945,197	(Note 13 & Note 14)

(Note 1) The total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short - term financing shall not exceed

(Note 2) Financing purposes :

1 for entities the Company has business transactions with

2 for entities with short - term financing needs

(Note 3) Individual financing limit for entities the Company has business transactions with  
 Individual funding loan limits would vary according to the following circumstances:

(1) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 10% of net worth of the Company.

(2) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 40% and 5% of net worth of the Company, respectively.

(3) For other borrowers, the amount available for financing shall not exceed 25% and 5% of net worth of the borrower and the Company, respectively.

(Note 4) For entities with short - term financing needs, the amount available for financing shall not exceed 10% of net worth of the Company.

(Note 5) Subsidiary - WAKS

(1) The total amount available for financing purposes shall not exceed 50% of WAKS' net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short - term financing shall not exceed 40% of net worth of WAKS. However, for those subsidiaries in China in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which is audited or reviewed by Certified Public Accountant; and for entities which are not located in Taiwan, the financing limits will be subject to the credit limit approved by State Administration of Foreign Exchange.

(2) For those subsidiaries in China with short - term financing needs which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing of each entity shall not exceed net worth, which was audited or reviewed by Certified Public Accountant, of the Company.



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(Note 6) Subsidiary - WSSG

- (1) The total amount available for financing purposes shall not exceed 40% of WSSG's net worth, which was audited or reviewed by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed WSSG's net worth, which is audited or reviewed by Certified Public Accountant.
- (2) For the entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% of net worth of WSSG. However, for those foreign subsidiaries with short-term financing needs in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed WSSG's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 7) Subsidiary - WCO

- (1) The total amount available for financing purposes shall not exceed 50% of WCO's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short - term financing shall not exceed 40% of net worth of WCO. However, for those subsidiaries in China in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which is audited or reviewed by Certified Public Accountant; and for entities which are not located in Taiwan, the financing limits will be subject to the credit limit approved by State Administration of Foreign Exchange.
- (2) For those subsidiaries in China with short - term financing needs which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing of each entity shall not exceed net worth, which was audited or reviewed by Certified Public Accountant, of the Company.

(Note 8) Subsidiary - AIH

- (1) The total amount available for financing purposes shall not exceed 40% of AIH's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed AIH's net worth, which was audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of AIH. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed AIH's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 9) Subsidiary - WCH

- (1) The total amount available for financing purposes shall not exceed 40% of WCH's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed WCH's net worth, which was audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of WCH. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed WCH's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 10) Subsidiary - Win Smart

- (1) The total amount available for financing purposes shall not exceed 40% of Win Smart's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed Win Smart's net worth, which is audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of Win Smart. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 11) Subsidiary - WCHK

- (1) The total amount available for financing purposes shall not exceed 40% of WCHK's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed WCHK's net worth, which is audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of WCHK. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 12) Subsidiary - WHHK

- (1) The total amount available for financing purposes shall not exceed 40% of WHHK's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which is audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of WHHK. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 13) Subsidiary - WVS

- (1) The total amount available for financing purposes shall not exceed 40% of WVS's net worth, which was audited by Certified Public Accountant; and for those foreign subsidiaries in which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which is audited or reviewed by Certified Public Accountant.
- (2) For entities with short - term financing needs, the amount available for financing of each entity shall not exceed 10% net worth of WVS. However, to the subsidiaries which the Company, directly or indirectly, owned 100% of their shares, the amount available for financing shall not exceed the Company's net worth, which was audited or reviewed by Certified Public Accountant.

(Note 14) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 2 Guarantees and endorsements for other parties  
(December 31, 2018)

(TWD : expressed in thousands)

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement	Relationship with the company (Note 12)	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2&4&11)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1&3&10)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
0	The Company	WJP	3	20,683,559	1,304,800	693,500	693,500	-	1.01%	68,945,197	Y	N	N	Note 13
0	The Company	Cowin (Note 5)	2	20,683,559	23,226	23,050	23,050	-	0.03%	68,945,197	Y	N	N	Note 13
0	The Company	WZS shared with WAKS and WBSK (Note 5)	3	20,683,559	69,678	69,149	69,149	-	0.10%	68,945,197	Y	N	Y	Note 13
0	The Company	WCZ	2	20,683,559	321,014	508,138	508,138	-	0.74%	68,945,197	Y	N	N	Note 13
0	The Company	WOK	3	20,683,559	918,420	307,330	307,330	-	0.45%	68,945,197	Y	N	Y	Note 13
0	The Company	WMSK	3	20,683,559	306,140	-	-	-	-	-	Y	N	Y	Note 13
0	The Company	WSKS	3	20,683,559	309,680	307,330	307,330	-	0.45%	68,945,197	Y	N	Y	Note 13
0	The Company	WBR	2	20,683,559	1,331,624	860,524	860,524	-	1.25%	68,945,197	Y	N	N	Note 13
0	The Company	WIN	3	20,683,559	1,851,000	1,843,980	1,229,320	-	2.67%	68,945,197	Y	N	N	Note 13
0	The Company	WSSG	2	20,683,559	6,447,650	6,423,197	5,962,202	-	9.32%	68,945,197	Y	N	N	Note 13
0	The Company	The Company shared with WSSG	2	20,683,559	154,840	-	-	-	-	-	Y	N	N	Note 13
0	The Company	WTX	2	20,683,559	3,871,000	1,997,645	1,997,645	-	2.90%	68,945,197	Y	N	N	Note 13
0	The Company	WGTX	2	20,683,559	325,164	322,697	322,697	-	0.47%	68,945,197	Y	N	N	Note 13
0	The Company	The Company shared with WGTX	2	20,683,559	619,360	-	-	-	-	-	Y	N	N	Note 13
0	The Company	WTZ	3	20,683,559	2,744,338	2,727,170	2,727,170	-	3.96%	68,945,197	Y	N	Y	Note 13
0	The Company	The Company shared with WTZ	3	20,683,559	309,680	-	-	-	-	-	Y	N	Y	Note 13
0	The Company	WSMX	2	20,683,559	464,320	460,995	460,995	-	0.67%	68,945,197	Y	N	N	Note 13
0	The Company	WGKS	3	20,683,559	762,129	460,995	460,995	-	0.67%	68,945,197	Y	N	Y	Note 13
0	The Company	WCZ shared with WSCZ (Note 6)	2 + 3	20,683,559	9,810,843	6,551,703	4,948,013	-	9.50%	68,945,197	Y	N	N	Note 13
0	The Company	WYHO	2	20,683,559	296,050	-	-	-	-	-	Y	N	N	Note 13
0	The Company	WSCO	2	20,683,559	123,872	122,932	122,932	-	0.18%	68,945,197	Y	N	N	Note 13
0	The Company	WMKS(Note 9)	3	20,683,559	619,360	614,660	614,660	-	0.89%	68,945,197	Y	N	Y	Note 13
0	The Company	WMSK shared with WTZ and WGKS (Note 7 and Note 9)	3	20,683,559	619,360	614,660	614,660	-	0.89%	68,945,197	Y	N	Y	Note 13
0	The Company	WTR	2	20,683,559	309,668	307,733	307,733	-	0.04%	68,945,197	Y	N	N	Note 13
0	The Company	The Company shared with WMKS, WSKS and WOK(Note 9)	3	20,683,559	918,420	-	-	-	-	-	Y	N	Y	Note 13
0	The Company	WOK shared with WTZ and WSKS	3	20,683,559	1,083,880	1,075,655	1,075,655	-	1.56%	68,945,197	Y	N	Y	Note 13
0	The Company	WTZ shared with WGKS and WSKS	3	20,683,559	309,680	307,330	307,330	-	0.45%	68,945,197	Y	N	Y	Note 13
0	The Company	WHK	3	20,683,559	309,668	-	-	-	-	-	Y	N	N	Note 13
0	The Company	Cowin shared with WSPH, WCZ, WMX, WTX, WYHO and WYUDE (Note 8)	2 + 3	20,683,559	2,956,056	2,933,605	2,933,605	-	4.25%	68,945,197	Y	N	N	Note 13
0	The Company	WAKS shared with WEKS, WCD and WCO (Note 8)	3	20,683,559	1,689,164	1,676,345	1,676,345	-	2.43%	68,945,197	Y	N	Y	Note 13
0	The Company	WMY shared with WEMY and WSMY	2 + 3	20,683,559	154,840	153,665	153,665	-	0.22%	68,945,197	Y	N	N	Note 13
0	The Company	WYUDE	3	20,683,559	6,722,900	-	-	-	-	-	Y	N	N	Note 13
0	The Company	Cowin shared with WCZ, WYHO and WYUDE	2 + 3	20,683,559	2,322,600	2,304,975	2,304,975	-	3.34%	68,945,197	Y	N	N	Note 13
0	The Company	WCH	2	20,683,559	38,710	38,416	38,416	-	0.06%	68,945,197	Y	N	N	Note 13
0	The Company	AGI	2	20,683,559	202,000	202,000	202,000	-	0.29%	68,945,197	Y	N	N	Note 13
0	The Company	WSCL	2	20,683,559	340,648	184,398	184,398	-	0.27%	68,945,197	Y	N	N	Note 13
0	The Company	WSCQ	2	20,683,559	1,912,700	1,905,446	307,330	-	2.76%	68,945,197	Y	N	Y	Note 13
0	The Company	ANC	2	20,683,559	204,610	153,665	153,665	-	0.22%	68,945,197	Y	N	N	Note 13
0	The Company	WSCZ	3	20,683,559	9,313	-	-	-	-	-	Y	N	N	Note 13
0	The Company	WCHQ	2	20,683,559	60,000	60,000	60,000	-	0.09%	68,945,197	Y	N	N	Note 13
0	The Company	WMH	2	20,683,559	600,000	430,733	200,000	-	0.62%	68,945,197	Y	N	N	Note 13
0	The Company	WSCQ shared with WMCO	2 + 3	20,683,559	462,750	460,995	460,995	-	0.67%	68,945,197	Y	N	Y	Note 13

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties  
(December 31, 2018)

No.	Endorsement/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2&4&11)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1&3&10)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Notes
		Name	Relationship with the company (Note 12)											
0	The Company	WMI shared with WIN	3	20,683,559	617,000	614,660	-	-	0.89%	68,945,197	Y	N	N	Note 13
0	The Company	Cowin shared with WSPH, W CZ, WMX and WITX (Note 10)	2 · 3	20,683,559	2,570,833	2,561,083	-	-	3.71%	68,945,197	Y	N	N	Note 13
0	The Company	WAKS shared with WEKS, WCD and WCO (Note 10)	3	20,683,559	2,056,667	2,048,867	-	-	2.97%	68,945,197	Y	N	Y	Note 13
0	The Company	WLB	3	20,683,559	200,000	200,000	-	-	0.29%	68,945,197	Y	N	N	Note 13
0	The Company	WCL	2	20,683,559	600,000	600,000	-	-	0.87%	68,945,197	Y	N	N	Note 13
1	WYHQ	WYKS	3	3,233,036	307,310	153,655	-	-	1.43%	5,388,393	Y	N	Y	Note 13

(TWD : expressed in thousands)

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

(Note 3) The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

(Note 4) The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

(Note 5) The credit line shared by Cowin, WZS, WAKS and WEKS amounted to USD 3,000,000.

(Note 6) The credit lines shared by WZS and WSCZ amounted to USD 161,000,000, while the maximum credit line for WSCZ was USD 300,000.

(Note 7) The credit line shared by WMKS, WITZ and WOKS amounted to USD 20,000,000, while the maximum credit line for each entity was USD 10,000,000.

(Note 8) The credit line shared by Cowin, WSPH, W CZ, WMX, WITX, WYHQ, WYUDE, WAKS, WEKS, WCD and WCO amounted to USD 150,000,000.

(Note 9) Wistron InfoComm (Qingdao) Co., Ltd, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation.

(Note 10) The credit line shared by Cowin, WSPH, W CZ, WMX, WITX, WYHQ, WYUDE, WAKS, WEKS, WCD and WCO amounted to USD 150,000,000.

(Note 11) WYHQ (the operation procedure for guarantees and endorsements)

1. The total amount for guarantees and endorsements provided by WYHQ to other entities shall not exceed 50% of WYHQ's net worth, which was audited by Certified Public Accountant.

2. The total amount for guarantees and endorsements provided by WYHQ to any individual entity shall not exceed 30% of WYHQ's net worth, which was audited by Certified Public Accountant.

3. The total amount for guarantees and endorsements provided by WYHQ and its subsidiaries to other entities shall not exceed 50% of WYHQ's net worth, which was audited by Certified Public Accountant.

4. The total amount of guarantees and endorsements provided by WYHQ and its subsidiaries to any individual entity shall not exceed 30% net worth, which was audited by Certified Public Accountant, of WYHQ.

(Note 12) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

(Note 13) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 3 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)  
(December 31, 2018)

(TWD : expressed in thousands)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2018				Notes
				Number of shares	Book value	Percentage of Ownership	Fair Value	
The company	Funbon Chi - Hsiang Fund	-	Current financial assets at fair value through profit or loss	3,199	50,105	-	50,105	-
The company	Alpha Networks Inc.	-	Non-current financial assets at fair value through other comprehensive income	19,448	321,861	3.58%	321,861	3.58%
The company	Gamania Digital Entertainment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,126	84,483	0.64%	84,483	0.70%
The company	Super Dragon Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,676	68,680	5.50%	68,680	5.50%
The company	Global Lighting Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	20,914	656,713	15.97%	656,713	15.97%
The company	ARBOR Technology Corp.	-	Non-current financial assets at fair value through other comprehensive income	4,457	89,137	7.01%	89,137	7.08%
The company	AOpen Inc.	-	Non-current financial assets at fair value through other comprehensive income	8,497	159,735	11.89%	159,735	11.89%
The company	FineMat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,589	125,526	7.61%	125,526	9.60%
The company	Clientron Corp.	-	Non-current financial assets at fair value through other comprehensive income	917	15,462	1.44%	15,462	1.44%
The company	Plexbio Corporation, LTD	-	Non-current financial assets at fair value through other comprehensive income	1,227	6,656	1.76%	6,656	1.76%
The company	Howe advanced Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,000	-	13.91%	-	13.91%
The company	ABC - KY	-	Non-current financial assets at fair value through other comprehensive income	2,791	9,816	4.50%	9,816	6.02%
The company	Lites Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,143	-	22.27%	-	22.39%
The company	Zeo, Inc.	-	Non-current financial assets at fair value through other comprehensive income	779	-	6.57%	-	6.57%
The company	Phostek, Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,875	230	5.99%	230	5.99%
The company	DDD Group PLC	-	Non-current financial assets at fair value through other comprehensive income	9,920	-	4.93%	-	4.93%
The company	Janus Technologies, Inc.	-	Non-current financial assets at fair value through other comprehensive income	864	-	4.02%	-	4.02%
The company	Vmedia Research	-	Non-current financial assets at fair value through other comprehensive income	2,000	-	7.69%	-	7.69%
The company	Tube Inc.	-	Non-current financial assets at fair value through other comprehensive income	17,009	63,766	22.08%	63,766	22.08%
The company	Audio Design Experts, Inc.	-	Non-current financial assets at fair value through other comprehensive income	546	-	18.47%	-	18.47%
The company	Tactus Technology, Inc.	-	Non-current financial assets at fair value through other comprehensive income	7	-	0.09%	-	0.12%
The company	Airdbg, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,536	-	17.39%	-	17.39%
The company	Videri Inc.	-	Non-current financial assets at fair value through other comprehensive income	226	-	3.58%	-	3.59%
The company	Scenera, Inc.	-	Non-current financial assets at fair value through other comprehensive income	645	-	9.88%	-	15.52%
The company	Jaico AT Fund IV L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	7,005	2.50%	7,005	2.50%
The company	JP Cathay II, L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	6,225	6.45%	6,225	6.45%
The company	JP Fund Six Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	6,000	59,928	10.71%	59,928	10.71%
The company	Corsa Fund 2012 L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	12,400	20.00%	12,400	20.00%
The company	Jaico AT Fund VI L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	656,225	6.67%	656,225	6.67%
The company	Kibou Fund L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	61,895	12.78%	61,895	12.78%
The company	Fenox Venture Company XIV L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	3,791	99.00%	3,791	99.00%
The company	Vertex V (C.I.) Fund Fund L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	31,383	3.50%	31,383	3.53%
The company	China Renewable Energy Fund, LP	-	Non-current financial assets at fair value through other comprehensive income	-	78,268	9.02%	78,268	9.02%

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 3 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)  
(December 31, 2018)

(TWD : expressed in thousands)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2018			Highest percentage of shares during the period	Notes
				Number of shares	Book value	Percentage of Ownership		
The company	Litee Systems, Ltd.	-	Non-current financial assets at fair value through profit or loss	-	153,995	-	153,995	-
The company	Audio Design Experts, Inc.	-	Non-current financial assets at fair value through profit or loss	-	85,189	-	85,189	-
The company	Smartply, Inc.	-	Non-current financial assets at fair value through profit or loss	-	143,582	-	143,582	-
AIIIH	Advance Powered & Energy Semiconductor, Inc.	-	Non-current financial assets at fair value through other comprehensive income	23,375	-	19.26%	-	19.26%
WCHK	Dell technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	364	47,541	0.05%	47,541	0.05%
WCL	Alpha Networks Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,892	64,404	0.72%	64,404	0.88%
WCL	Howe advanced Ltd.	-	Non-current financial assets at fair value through other comprehensive income	500	-	1.74%	-	1.74%
WCL	Cletron Corp.	-	Non-current financial assets at fair value through other comprehensive income	626	10,561	0.98%	10,561	0.98%
WCL	Vmedia Research	-	Non-current financial assets at fair value through other comprehensive income	324	-	1.25%	-	1.25%
WCL	ARBOR Technology Corp.	-	Non-current financial assets at fair value through other comprehensive income	1,910	38,202	3.03%	38,202	3.03%
WCL	Umbo CV Inc.	-	Non-current financial assets at fair value through other comprehensive income	2,467	16,415	5.06%	16,415	5.06%
WCL	ABC - KY	-	Non-current financial assets at fair value through other comprehensive income	1,725	30,739	2.78%	30,739	2.78%
WCL	FI	-	Non-current financial assets at fair value through other comprehensive income	365	1,169	13.95%	1,169	15.86%
WCL	feetheart Holdings Limited	-	Non-current financial assets at fair value through other comprehensive income	13	1,865	9.29%	1,865	9.29%
WCL	AOpen Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,042	16,365	1.46%	16,365	1.46%
WCL	FineMat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	302	8,262	0.50%	8,262	0.53%
WCL	Biopispa, Inc.	-	Non-current financial assets at fair value through other comprehensive income	4,040	18,873	17.20%	18,873	17.20%
WCL	Unity Opto Technology co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,263	38,794	1.26%	38,794	1.26%
WCL	JP Cathay One.L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	602	4.00%	602	4.00%
WCL	APPWORKS FUND II CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	6,490	169,283	8.15%	169,283	8.15%
WCL	LUCID VR,INC.	-	Non-current financial assets at fair value through profit or loss	-	13,828	-	13,828	-
WCL	feetheart Holdings Limited	-	Non-current financial assets at fair value through profit or loss	-	15,411	-	15,411	-
Win Smart	Keen High Technologies Ltd.	-	Non-current financial assets at fair value through other comprehensive income	8,716	-	15.17%	-	15.17%
WMH	Adimics Biotechnology(Cayman) Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	15,000	11,521	16.67%	11,521	16.67%
WMH	Apollo Medical Optics Inc.	-	Non-current financial assets at fair value through other comprehensive income	6,667	59,821	20.21%	59,821	20.21%
WMH	Huku Biotechnology Corporation	-	Non-current financial assets at fair value through other comprehensive income	375	4,068	15.00%	4,068	15.00%
WMH	Spartan Bioscience Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,091	1,897	2.44%	1,897	2.42%
WMH	β-Tenia Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,827	-	20.86%	-	20.95%
WMH	Plexbio Corporation, LTD	-	Non-current financial assets at fair value through other comprehensive income	1,500	8,135	2.16%	8,135	2.16%
WMH	DIAGNOSTICS FOR THE REAL WORLD LIMITED	-	Non-current financial assets at fair value through other comprehensive income	267	44,911	4.80%	44,911	4.80%
WMH	U.S. Bionics Inc.	-	Non-current financial assets at fair value through other comprehensive income	927	28,582	15.17%	28,582	15.17%
WMH	Hikari Fund L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	22,486	12.00%	22,486	15.79%
WMH	Pacific 8 Ventures Fund I,L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	55,784	15.52%	55,784	17.82%
WMH	β-Tenia Inc.	-	Non-current financial assets at fair value through profit or loss	-	26,866	-	26,866	-

**WISTRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Table 4 Accumulated buying/selling of the same marketable securities for which the dollar amount at least \$300 million or 20% of paid-in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Relationship with the Company	Beginning balance		Acquisition		Disposal		Ending balance		Notes	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount		
The company	Fund	Current financial assets at fair value through profit or loss	-	-	12,865	200,682	12,806	200,000	22,472	351,289	1,245	3,199	-	
The company	Stock	Equity - accounted investees	-	subsidary	384,065	28,268,692	100,000	2,994,400	-	-	-	484,065	31,910,286	Note 1
The company	Stock	Equity - accounted investees	Note 2	subsidary	55,818	1,587,254	8,931	1,971,701	-	-	-	77,814	5,515,990	Note 1
The company	Stock	Equity - accounted investees	Note 2	subsidary	57,489	1,476,450	55,000	1,611,682	-	-	-	112,489	2,878,359	Note 1
The company	Stock	Equity - accounted investees	Note 2	subsidary	120,000	997,173	80,000	800,000	-	-	-	200,000	1,232,939	Note 1
WAKS	Fund	Current financial assets at fair value through profit or loss	-	-	190,500	852,583	190,500	852,583	190,500	852,583	3,172	-	-	
WCD	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	748,304	-	-	748,304	853	-	-	-	
WCD	Fund	Current financial assets at fair value through profit or loss	-	-	-	1,114,309	249,000	1,114,309	1,114,309	2,337	-	-	-	
WCO	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	46,875	-	-	956,560	1,846	-	-	-	
WCO	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	469,928	886	-	-	-	
WCO	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	1,051,915	4,564	-	-	-	
WEKS	Fund	Current financial assets at fair value through profit or loss	-	-	234,000	1,047,267	234,000	1,047,267	-	-	-	-	-	
WEKS	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	537,060	-	-	538,718	1,628	-	-	-	
WEKS	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	1,767,823	395,000	1,776,299	1,776,299	8,642	-	-	-	
WMSK	Fund	Current financial assets at fair value through profit or loss	-	-	-	1,588,803	-	-	1,599,429	10,835	-	-	-	
WMSK	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	542,231	5,272	-	-	-	
WMSK	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	934,904	208,000	934,904	934,904	2,302	-	-	-	
WOK	Fund	Equity - accounted investees	Note 2	subsidary	-	-	180,801	809,867	-	-	-	180,801	775,814	Note 1
WSSG	Stock	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	306,136	451	-	-	-	
WIZ	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	1,806,365	2,792	-	-	-	
WIZ	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	573,430	556	-	-	-	
WYZS	Fund	Equity - accounted investees	Note 2	subsidary	9,010	319,416	403,000	1,803,627	-	-	-	169,010	5,322,048	Note 1
WYZS	Stock	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	572,864	-	-	-	-	
WZS	Structured deposits	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	3,634,106	7,001	-	-	-	
WZS	Fund	Current financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	

Note 1: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Note 2: Issuance of common stock for cash.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 5 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Transaction details			Abnormal Transaction			Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / notes receivable (payable)	
The company	AIH	Parent - subsidiary company	Sales	148,483,913	19.77%	OA90	-	-	33,866,802	14.66%	Note
The company	WYHQ	Parent - subsidiary company	Sales	53,815,919	7.17%	OA90	-	-	1,184,009	0.51%	Note
The company	WITX	Parent - subsidiary company	Sales	27,537,504	3.67%	OA120	-	-	17,907,519	7.75%	Note
The company	WIN	Parent - subsidiary company	Sales	4,081,551	0.54%	OA120	-	-	2,728,392	1.18%	Note
The company	WTX	Parent - subsidiary company	Sales	3,041,850	0.41%	OA90	-	-	1,507,027	0.65%	Note
The company	WCZ	Parent - subsidiary company	Sales	2,769,101	0.37%	OA120	-	-	3,359,730	1.45%	Note
The company	WSCZ	Parent - subsidiary company	Sales	1,203,862	0.16%	OA90	-	-	246,711	0.11%	Note
The company	WMKS	Parent - subsidiary company	Sales	805,688	0.11%	OA90	-	-	229,618	0.10%	Note
The company	WSSG	Parent - subsidiary company	Sales	785,784	0.10%	OA90	-	-	247,832	0.11%	Note
The company	WJP	Parent - subsidiary company	Sales	528,132	0.07%	OA90	-	-	259,601	0.11%	Note
The company	WOSH	Parent - subsidiary company	Sales	394,052	0.05%	OA90	-	-	300,246	0.13%	Note
The company	COWIN	Parent - subsidiary company	Purchases	165,163,007	23.05%	OA90	-	-	(39,522,610)	18.94%	Note
The company	WEKS	Parent - subsidiary company	Purchases	134,634,141	18.79%	OA90	-	-	(22,610,465)	10.84%	Note
The company	WCQ	Parent - subsidiary company	Purchases	125,473,272	17.51%	OA90	-	-	(32,185,622)	15.43%	Note
The company	WCD	Parent - subsidiary company	Purchases	110,331,940	15.40%	OA30	-	-	(18,012,938)	8.63%	Note
The company	WAKS	Parent - subsidiary company	Purchases	74,457,156	10.39%	OA90	-	-	(19,063,283)	9.14%	Note
The company	WOK	Parent - subsidiary company	Purchases	55,383,848	7.73%	OA90	-	-	(19,588,264)	9.39%	Note
The company	WSCQ	Parent - subsidiary company	Purchases	6,256,013	0.87%	OA60	-	-	(1,095,969)	0.53%	Note
The company	WSKS	Parent - subsidiary company	Purchases	3,067,324	0.43%	OA60	-	-	(733,154)	0.35%	Note
The company	WTZ	Parent - subsidiary company	Purchases	2,088,638	0.29%	OA60	-	-	(224,338)	0.11%	Note
The company	WSPH	Parent - subsidiary company	Purchases	581,614	0.08%	OA30	-	-	(37,223)	0.02%	Note
The company	WIN	Parent - subsidiary company	Purchases	320,036	0.04%	OA60	-	-	(16,966)	0.01%	Note
The company	WTX	Parent - subsidiary company	Purchases	179,140	0.03%	OA60	-	-	(9,555)	-	Note
The company	WMKS	Parent - subsidiary company	Purchases	109,859	0.02%	OA60	-	-	(18,589)	0.01%	Note
AGI	The company	Parent - subsidiary company	Sales	111,916	31.57%	T/T 90days	-	-	13,165	24.73%	Note
AIH	COWIN	Related company	Sales	140,507	0.09%	OA90	-	-	6,701	0.03%	Note
AIH	WAKS	Related company	Sales	297,675	0.20%	OA90	-	-	44,341	0.19%	Note
AIH	WCQ	Related company	Sales	3,622,857	2.38%	OA90	-	-	574,707	2.43%	Note
AIH	The company	Parent - subsidiary company	Purchases	148,483,913	97.28%	OA90	-	-	(33,866,802)	96.98%	Note
COWIN	WZS	Parent - subsidiary company	Sales	130,915	0.08%	OA90	-	-	18,929,160	32.35%	Note
COWIN	The company	Parent - subsidiary company	Sales	165,163,007	97.72%	OA90	-	-	39,522,610	65.37%	Note
COWIN	WTZS	Related company	Sales	1,720,344	1.02%	OA90	-	-	562,130	0.96%	Note
COWIN	WCQ	Related company	Sales	333,613	0.20%	OA90	-	-	97,654	0.17%	Note
COWIN	WCD	Related company	Sales	1,530,784	0.91%	OA90	-	-	233,279	0.40%	Note
COWIN	WSPH	Related company	Sales	128,753	0.08%	OA90	-	-	34,235	0.06%	Note

## WISTRON CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Table 5 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Transaction details			Abnormal Transaction			Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / notes receivable (payable)	
COWIN	WZS	Parent - subsidiary company	Purchases	167,938,245	100.00%	OA90	-	-	(23,734,226)	40.56%	Note
WAKS	WTZ	Related company	Purchases	132,247	0.18%	OA90	-	-	(18,396)	0.09%	Note
WAKS	HTK	Associates	Purchases	181,551	0.24%	OA90	-	-	(78,374)	0.37%	-
WAKS	AIH	Related company	Purchases	297,675	0.39%	OA90	-	-	(44,341)	0.21%	Note
WAKS	The company	Parent - subsidiary company	Sales	74,457,156	97.29%	OA90	-	-	19,063,283	97.54%	Note
WAKS	WITX	Related company	Sales	176,526	0.23%	OA90	-	-	23,115	0.12%	Note
WAKS	WSKS	Related company	Sales	1,488,268	1.94%	OA60	-	-	404,081	2.07%	Note
WAKS	WCQ	Related company	Sales	270,380	0.35%	OA90	-	-	16,291	0.08%	Note
WBR	WYUDE	Related company	Purchases	333,529	55.30%	OA90	-	-	(893)	1.14%	Note
WCZ	The company	Parent - subsidiary company	Purchases	2,769,101	7.40%	OA120	-	-	(3,339,730)	96.51%	Note
WCZ	WYUDE	Related company	Purchases	635,327	1.70%	OA60	-	-	(14,426)	0.38%	Note
WCZ	COWIN	Related company	Sales	224,950	0.56%	OA60	-	-	67,446	2.28%	Note
WCZ	WYHQ	Related company	Sales	39,426,457	98.19%	OA60	-	-	2,856,960	96.45%	Note
WCZ	WYUDE	Related company	Sales	422,615	1.05%	OA90	-	-	20,232	0.68%	Note
WCD	The company	Parent - subsidiary company	Sales	110,331,940	98.65%	OA30	-	-	18,012,938	98.92%	Note
WCD	WSKS	Related company	Sales	777,897	0.70%	OA60	-	-	162,789	0.89%	Note
WCD	WNC	Related company	Sales	707,204	0.63%	OA90	-	-	13,281	0.07%	Note
WCD	WNC	Associates	Purchases	179,359	0.16%	OA90	-	-	(76,263)	0.36%	Note
WCD	COWIN	Related company	Purchases	1,530,784	1.40%	OA90	-	-	(233,279)	1.09%	Note
WCD	HTK	Associates	Purchases	198,132	0.18%	OA120	-	-	(85,801)	0.40%	-
WCD	WTZ	Related company	Purchases	740,982	0.68%	OA90	-	-	(31,522)	0.15%	Note
WCD	WCQ	Related company	Purchases	675,165	0.62%	OA90	-	-	(466)	-	Note
WCQ	AIH	Related company	Purchases	3,622,857	2.78%	OA90	-	-	(574,707)	1.60%	Note
WCQ	WCD	Related company	Purchases	707,204	0.57%	OA90	-	-	(13,281)	0.04%	Note
WCQ	T-CONN	Associates	Purchases	190,455	0.15%	OA60	-	-	(67,996)	0.19%	-
WCQ	HSEH-YUH	Associates	Purchases	100,557	0.08%	OA90	-	-	(60,656)	0.17%	-
WCQ	The company	Parent - subsidiary company	Sales	125,473,272	98.94%	OA90	-	-	32,185,622	99.56%	Note
WCQ	COWIN	Related company	Sales	247,181	0.19%	OA60	-	-	2,167	0.01%	Note
WCQ	WCD	Related company	Sales	675,165	0.53%	OA90	-	-	466	-	Note
WCQ	WCO	Related company	Sales	371,539	0.29%	OA90	-	-	133,596	0.41%	Note
WCQ	COWIN	Related company	Purchases	333,613	0.31%	OA90	-	-	(97,654)	0.27%	Note
WCQ	WAKS	Related company	Purchases	270,380	0.22%	OA90	-	-	(16,291)	0.05%	Note
WEKS	The company	Parent - subsidiary company	Sales	134,634,141	99.93%	OA90	-	-	22,610,465	99.99%	Note
WIN	The company	Parent - subsidiary company	Purchases	4,081,551	71.70%	OA120	-	-	(2,728,392)	94.33%	Note
WIN	WYHQ	Related company	Purchases	491,753	8.64%	OA90	-	-	-	-	Note



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 5 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid - in capital  
(December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Transaction details			Abnormal Transaction		Account/note receivable (payable)		Notes	
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment Terms	Unit price	Payment Terms	Balance		Percentage of total accounts / notes receivable (payable)
WIN	The company	Parent - subsidiary company	Sales	320,036	5.21%	OA60	-	-	16,966	1.35%	Note
WITX	The company	Parent - subsidiary company	Purchases	27,537,504	97.68%	OA120	-	-	(17,907,519)	99.13%	Note
WITX	WAKS	Related company	Purchases	176,526	0.67%	OA90	-	-	(23,115)	0.13%	Note
WJP	The company	Parent - subsidiary company	Purchases	528,132	98.60%	OA90	-	-	(259,601)	96.76%	Note
WMKS	The company	Parent - subsidiary company	Purchases	805,688	41.08%	OA90	-	-	(229,618)	56.98%	Note
WMKS	WSCZ	Related company	Purchases	152,381	7.78%	OA90	-	-	(19,235)	4.79%	Note
WMKS	WSCZ	Related company	Sales	121,582	4.09%	OA60	-	-	28,275	3.58%	Note
WMKS	The company	Parent - subsidiary company	Sales	109,859	3.70%	OA60	-	-	18,589	2.35%	Note
WMX	WITT	Related company	Sales	193,092	20.00%	OA90	-	-	47,487	-	Note
WMX	WYUDE	Related company	Sales	762,687	78.00%	OA90	-	-	95,949	-	Note
WOK	The company	Parent - subsidiary company	Sales	55,383,848	99.64%	OA90	-	-	19,588,264	100.00%	Note
WOSH	The company	Parent - subsidiary company	Purchases	394,052	24.50%	OA90	-	-	(300,246)	34.81%	Note
WOSH	WTZ	Related company	Purchases	1,107,289	71.88%	OA90	-	-	(562,207)	65.19%	Note
WRKS	The company	Parent - subsidiary company	Sales	471,246	100.00%	OA90	-	-	38,656	100.00%	Note
WSCQ	The company	Parent - subsidiary company	Sales	6,256,013	98.31%	OA60	-	-	1,095,969	98.60%	Note
WSCQ	WCQ	Related company	Purchases	371,539	5.83%	OA90	-	-	(133,596)	8.83%	Note
WSCQ	WSSG	Related company	Purchases	225,252	3.26%	OA60	-	-	(60,947)	4.03%	Note
WSCQ	WSPH	Related company	Purchases	131,045	2.11%	OA90	-	-	(51,215)	3.38%	Note
WSCZ	The company	Parent - subsidiary company	Purchases	1,203,862	40.86%	OA90	-	-	(246,711)	5.49%	Note
WSCZ	WMKS	Related company	Sales	152,381	3.99%	OA90	-	-	19,235	2.11%	Note
WSKS	The company	Parent - subsidiary company	Sales	3,067,324	94.00%	OA60	-	-	733,154	96.64%	Note
WSKS	WAKS	Related company	Purchases	1,488,268	55.07%	OA60	-	-	(404,081)	61.39%	Note
WSKS	WCD	Related company	Purchases	777,897	27.84%	OA60	-	-	(162,789)	24.70%	Note
WSMX	WTX	Related company	Purchases	142,280	41.99%	OA60	-	-	(15,411)	26.57%	Note
WSPH	COWIN	Related company	Purchases	128,753	29.15%	OA90	-	-	(34,235)	37.18%	Note
WSPH	The company	Parent - subsidiary company	Sales	581,614	77.05%	OA30	-	-	37,223	32.56%	Note
WSPH	WSCQ	Related company	Sales	131,045	19.19%	OA90	-	-	51,215	42.40%	Note
WSSG	The company	Parent - subsidiary company	Purchases	785,784	30.37%	OA90	-	-	(247,832)	61.04%	Note
WSSG	WSCQ	Related company	Sales	225,252	6.59%	OA60	-	-	60,947	8.10%	Note
WTX	The company	Parent - subsidiary company	Purchases	3,041,850	79.72%	OA90	-	-	(1,507,027)	85.79%	Note
WTX	WSMX	Related company	Sales	142,280	2.71%	OA60	-	-	15,411	1.12%	Note
WTX	The company	Parent - subsidiary company	Sales	179,140	4.96%	OA60	-	-	9,555	0.70%	Note
WTZ	The company	Parent - subsidiary company	Sales	2,088,638	43.20%	OA60	-	-	224,338	21.94%	Note
WTZ	WAKS	Related company	Sales	132,247	2.74%	OA90	-	-	18,396	1.82%	Note

**WISTRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

Table 5 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Transaction details			Abnormal Transaction			Account/note receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / notes receivable (payable)	
WTZ	WOSH	Related company	Sales	1,107,289	22.95%	OA90	-	-	562,207	55.61%	Note
WTZ	WCD	Related company	Sales	740,982	15.35%	OA90	-	-	31,522	3.12%	Note
WTZS	COWIN	Related company	Purchases	1,720,344	93.15%	OA90	-	-	(562,130)	88.32%	Note
WTZS	WZS	Related company	Purchases	154,709	6.77%	OA90	-	-	(80,306)	11.54%	Note
WTZS	The company	Parent - subsidiary company	Sales	699,247	26.33%	OA90	-	-	138,594	16.23%	Note
WYHK	WYHQ	Parent - subsidiary company	Purchases	1,200,889	100.00%	OA90	-	-	(22,938)	100.00%	Note
WYHQ	WYUDE	Parent - subsidiary company	Sales	19,975,547	26.08%	OA120	-	-	7,081,699	59.49%	Note
WYHQ	WYJP	Parent - subsidiary company	Sales	3,085,415	4.03%	OA90	-	-	315,483	2.65%	Note
WYHQ	WYKR	Parent - subsidiary company	Sales	1,681,231	2.19%	OA90	-	-	84,800	0.71%	Note
WYHQ	WYHK	Parent - subsidiary company	Sales	1,200,889	1.57%	OA90	-	-	22,938	0.19%	Note
WYHQ	WYKS	Parent - subsidiary company	Sales	951,182	1.24%	OA90	-	-	397,007	3.34%	Note
WYHQ	WIN	Related company	Sales	724,029	0.95%	OA90	-	-	-	-	Note
WYHQ	WCZ	Related company	Purchases	39,238,952	59.05%	OA60	-	-	(2,866,554)	75.05%	Note
WYHQ	The company	Parent - subsidiary company	Purchases	26,134,639	39.33%	OA90	-	-	(859,744)	22.51%	Note
WYHQ	WYUDE	Parent - subsidiary company	Purchases	1,056,908	1.59%	OA90	-	-	(71,631)	1.88%	Note
WYJP	WYHQ	Parent - subsidiary company	Purchases	3,085,415	100.00%	OA90	-	-	(315,483)	100.00%	Note
WYKR	WYHQ	Parent - subsidiary company	Purchases	1,681,231	100.00%	OA90	-	-	(84,800)	100.00%	Note
WYKS	WYHQ	Parent - subsidiary company	Purchases	951,182	98.55%	OA90	-	-	(397,007)	100.00%	Note
WYUDE	The company	Parent - subsidiary company	Purchases	27,978,660	21.55%	OA90	-	-	(317,611)	19.43%	Note
WYUDE	WCZ	Related company	Purchases	433,568	0.33%	OA90	-	-	(20,300)	0.16%	Note
WYUDE	WYHQ	Parent - subsidiary company	Purchases	19,975,547	15.45%	OA120	-	-	(7,081,699)	71.05%	Note
WYUDE	WMX	Related company	Purchases	756,279	0.58%	OA90	-	-	(96,065)	0.75%	Note
WYUDE	WYHQ	Parent - subsidiary company	Sales	1,056,908	0.80%	OA90	-	-	71,631	1.41%	Note
WYUDE	WBR	Related company	Sales	312,018	0.25%	OA90	-	-	893	0.02%	Note
WZS	LYZ	Associates	Purchases	466,625	0.29%	OA90	-	-	(245,337)	0.70%	-
WZS	COWIN	Parent - subsidiary company	Purchases	130,915	0.01%	OA90	-	-	(18,929,160)	52.24%	Note
WZS	HYZS	Associates	Purchases	262,278	0.16%	OA90	-	-	(71,382)	0.20%	-
WZS	ITZS	Associates	Purchases	156,325	0.10%	OA90	-	-	(73,220)	0.21%	-
WZS	COWIN	Parent - subsidiary company	Sales	167,938,245	97.93%	OA90	-	-	23,734,226	95.57%	Note
WZS	WTZS	Related company	Sales	154,709	0.09%	OA90	-	-	80,306	0.32%	Note

Note: The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 6 Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Note
					Amount	Action taken			
The company	AIH	Parent - subsidiary company	33,866,802	471.42%	-	-	26,092,317	-	Note
The company	WOK	Parent - subsidiary company	25,894,700	-	-	-	11,218,138	-	Note
The company	WCQ	Parent - subsidiary company	25,598,962	0.16%	2,947	Collecting	12,877,401	-	Note
The company	WEKS	Parent - subsidiary company	22,581,598	-	-	-	14,291,099	-	Note
The company	WITX	Parent - subsidiary company	17,907,519	175.38%	7,425,163	Collecting	1,536,663	-	Note
The company	COWIN	Parent - subsidiary company	13,377,428	0.40%	-	-	4,970,782	-	Note
The company	WAKS	Parent - subsidiary company	9,809,045	0.07%	-	-	7,032,526	-	Note
The company	WCZ	Parent - subsidiary company	3,359,730	81.27%	-	-	-	-	Note
The company	WIN	Parent - subsidiary company	2,728,392	230.07%	836,961	Collecting	350,475	-	Note
The company	WTX	Parent - subsidiary company	1,507,027	230.09%	413,799	Collecting	159,112	-	Note
The company	WYHQ	Parent - subsidiary company	1,184,009	871.66%	54	Collecting	773,070	-	Note
The company	WCD	Parent - subsidiary company	813,411	-	-	-	536	-	Note
The company	WTZ	Parent - subsidiary company	449,213	-	206,633	Collecting	253,113	-	Note
The company	WOSH	Parent - subsidiary company	300,246	259.88%	68,024	Collecting	34,138	-	Note
The company	WJP	Parent - subsidiary company	259,601	170.37%	108,199	Collecting	38,228	-	Note
The company	WSSG	Parent - subsidiary company	247,832	228.54%	95,403	Collecting	86,227	-	Note
The company	WSCZ	Parent - subsidiary company	246,711	237.52%	-	-	66,811	-	Note
The company	WMKS	Parent - subsidiary company	229,618	494.49%	-	-	124	-	Note
AIH	WCQ	Related company	574,707	695.55%	-	-	-	-	Note
COWIN	WZS	Parent - subsidiary company	18,929,160	0.36%	-	-	-	-	Note
COWIN	The company	Parent - subsidiary company	39,522,610	423.43%	-	-	-	-	Note
COWIN	WCD	Related company	562,130	314.03%	-	-	-	-	Note
COWIN	WCD	Related company	233,279	304.11%	-	-	-	-	Note
WAKS	The company	Parent - subsidiary company	19,063,283	540.60%	-	-	-	-	Note
WAKS	WKS	Related company	404,081	360.53%	21,967	Collecting	-	-	Note
WCZ	WYHQ	Related company	2,856,960	1489.15%	-	-	-	-	Note
WCD	The company	Parent - subsidiary company	18,012,938	567.84%	-	-	-	-	Note
WCD	WKS	Related company	1,627,789	500.87%	-	-	-	-	Note
WCQ	The company	Parent - subsidiary company	32,185,622	451.79%	-	-	-	-	Note
WCQ	WSCQ	Related company	1,335,996	292.39%	-	-	-	-	Note
WEKS	The company	Parent - subsidiary company	22,610,465	271.15%	-	-	-	-	Note
WITX	The company	Parent - subsidiary company	6,838,500	1.83%	-	-	-	-	Note
WOK	The company	Parent - subsidiary company	19,588,264	441.81%	-	-	-	-	Note
WSCQ	The company	Parent - subsidiary company	1,095,969	568.53%	-	-	-	-	Note
WKS	The company	Parent - subsidiary company	733,154	601.74%	-	-	-	-	Note
WTZ	The company	Parent - subsidiary company	224,338	953.85%	-	-	-	-	Note
WTZ	WOSH	Related company	562,207	251.15%	221,451	Collecting	-	-	Note
WTZS	The company	Parent - subsidiary company	138,594	472.04%	-	-	-	-	Note
WYHQ	WYUDE	Parent - subsidiary company	7,081,699	356.93%	-	-	-	-	Note

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 6 Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Note
					Amount	Action taken			
WYHQ	WYJP	Parent - subsidiary company	315,483	1207.85%	-	-	-	-	Note
WYHQ	WYKS	Parent - subsidiary company	397,007	185.98%	79,312	Collecting	79,312	-	Note
WZS	COWIN	Parent - subsidiary company	23,734,226	399.46%	-	-	-	-	Note
Other receivable									
The company	WYHQ	Parent - subsidiary company	109,991	-	-	-	-	-	Note
The company	WITX	Parent - subsidiary company	105,958	-	38,361	Collecting	-	-	Note
AIH	WOK	Parent - subsidiary company	248,206	-	-	-	-	-	Note
AIH	The company	Parent - subsidiary company	233,607	-	-	-	-	-	Note
AIH	WSPH	Related company	537,828	-	-	-	-	-	Note
AIH	WETW	Related company	155,908	-	-	-	-	-	Note
COWIN	WZS	Parent - subsidiary company	177,561	-	-	-	-	-	Note
COWIN	The company	Parent - subsidiary company	224,604	-	-	-	-	-	Note
WAKS	WOSH	Related company	138,802	-	-	-	-	-	Note
WAKS	WTZ	Related company	3,074,135	-	-	-	-	-	Note
WAKS	WGKS	Related company	608,645	-	-	-	-	-	Note
WCH	WGTX	Related company	368,796	-	-	-	-	-	Note
WCHK	COWIN	Related company	113,749	-	-	-	-	-	Note
WCQ	WTZ	Related company	3,074,562	-	-	-	-	-	Note
WCQ	WSCQ	Related company	922,465	-	-	-	-	-	Note
WCQ	WMCQ	Related company	154,628	-	-	-	-	-	Note
WHHK	COWIN	Related company	215,202	-	-	-	-	-	Note
WYHQ	WYUDE	Parent - subsidiary company	4,477,851	-	-	-	-	-	Note

Note: The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant inter - company transactions  
(December 31, 2018)

No.	Company Name	Related Party	Existing relationship with counter - party (Note 1)	Transaction details during 2018				Percentage of consolidated sales revenue and total assets (Note 2)
				Financial Statements Item	Amount	Payment Terms		
0	The company	AIHH	1	Sales	148,483,913	OA90	16.69%	
0	The company	WYHQ	1	Sales	53,815,919	OA90	6.05%	
0	The company	WITX	1	Sales	27,537,504	OA120	3.10%	
0	The company	WIN	1	Sales	4,081,551	OA120	0.46%	
0	The company	WTX	1	Sales	3,041,850	OA90	0.34%	
0	The company	WCZ	1	Sales	2,769,101	OA120	0.31%	
0	The company	WSCZ	1	Sales	1,203,862	OA90	0.14%	
0	The company	WMKS	1	Sales	805,688	OA90	0.09%	
0	The company	WSSG	1	Sales	785,784	OA90	0.09%	
0	The company	WJP	1	Sales	528,132	OA90	0.06%	
0	The company	WOSH	1	Sales	394,052	OA90	0.04%	
0	The company	AIHH	1	Account Receivable	33,866,802	OA90	9.99%	
0	The company	WOK	1	Account Receivable	25,894,700	OA90	7.64%	
0	The company	WCQ	1	Account Receivable	25,598,962	OA90	7.55%	
0	The company	WEKS	1	Account Receivable	22,581,598	OA180	6.66%	
0	The company	WITX	1	Account Receivable	17,907,519	OA120	5.28%	
0	The company	COWIN	1	Account Receivable	13,377,428	OA120	3.94%	
0	The company	WAKS	1	Account Receivable	9,809,045	OA120	2.89%	
0	The company	WCZ	1	Account Receivable	3,359,730	OA120	0.99%	
0	The company	WIN	1	Account Receivable	2,728,392	OA120	0.80%	
0	The company	WTX	1	Account Receivable	1,507,027	OA90	0.44%	
0	The company	WYHQ	1	Account Receivable	1,184,009	OA90	0.35%	
0	The company	WCD	1	Account Receivable	813,411	OA60	0.24%	
0	The company	WTZ	1	Account Receivable	449,213	OA90	0.13%	
0	The company	WOSH	1	Account Receivable	300,246	OA90	0.09%	
0	The company	WJP	1	Account Receivable	259,601	OA90	0.08%	
0	The company	WSSG	1	Account Receivable	247,832	OA90	0.07%	
0	The company	WSCZ	1	Account Receivable	246,711	OA90	0.07%	
0	The company	WMKS	1	Account Receivable	229,618	OA90	0.07%	
1	AGI	The company	2	Sales	111,916	T/T 90days	0.01%	
2	AIHH	WCQ	3	Sales	3,622,857	OA90	0.41%	
2	AIHH	WAKS	3	Sales	297,675	OA90	0.03%	

(TWD : expressed in thousands)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant inter - company transactions  
(December 31, 2018)

(TWD : expressed in thousands)

No.	Company Name	Related Party	Existing relationship with counter - party (Note 1)	Transaction details during 2018			Payment Terms	Percentage of consolidated sales revenue and total assets (Note 2)
				Financial Statements Item	Amount	Amount		
2	AIHH	COWIN	3	Sales	140,507	OA90	0.02%	
2	AIHH	WCQ	3	Account Receivable	574,707	OA90	0.17%	
3	COWIN	The company	2	Sales	165,163,007	OA90	18.57%	
3	COWIN	WTZS	3	Sales	1,720,344	OA90	0.19%	
3	COWIN	WCD	3	Sales	1,530,784	OA90	0.17%	
3	COWIN	WCQ	3	Sales	333,613	OA90	0.04%	
3	COWIN	WZS	3	Sales	130,915	OA90	0.01%	
3	COWIN	WSPH	3	Sales	128,753	OA90	0.01%	
3	COWIN	The company	2	Account Receivable	39,522,610	OA90	11.66%	
3	COWIN	WZS	3	Account Receivable	18,929,160	OA90	5.58%	
3	COWIN	WTZS	3	Account Receivable	562,130	OA90	0.17%	
3	COWIN	WCD	3	Account Receivable	233,279	OA90	0.07%	
4	WAKS	The company	2	Sales	74,457,156	OA90	8.37%	
4	WAKS	WSKS	3	Sales	1,488,268	OA60	0.17%	
4	WAKS	WCQ	3	Sales	270,380	OA90	0.03%	
4	WAKS	WITX	3	Sales	176,526	OA90	0.02%	
4	WAKS	The company	2	Account Receivable	19,063,283	OA90	5.62%	
4	WAKS	WSKS	3	Account Receivable	404,081	OA60	0.12%	
5	WCD	The company	2	Sales	110,331,940	OA30	12.40%	
5	WCD	WSKS	3	Sales	777,897	OA60	0.09%	
5	WCD	WCQ	3	Sales	707,204	OA90	0.08%	
5	WCD	The company	2	Account Receivable	18,012,938	OA90	5.31%	
5	WCD	WSKS	3	Account Receivable	162,789	OA60	0.05%	
6	WCQ	The company	2	Sales	125,473,272	OA90	14.11%	
6	WCQ	WCD	3	Sales	675,165	OA90	0.08%	
6	WCQ	WSCQ	3	Sales	371,539	OA90	0.04%	
6	WCQ	COWIN	3	Sales	247,181	OA60	0.03%	
6	WCQ	The company	2	Account Receivable	32,185,622	OA90	9.49%	
6	WCQ	WSCQ	3	Account Receivable	133,596	OA90	0.04%	
7	WCZ	WYHQ	3	Sales	39,426,457	OA60	4.43%	
7	WCZ	WYUDE	3	Sales	422,615	OA90	0.05%	
7	WCZ	COWIN	3	Sales	224,950	OA60	0.03%	

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant inter - company transactions  
(December 31, 2018)

(TWD : expressed in thousands)

No.	Company Name	Related Party	Existing relationship with counter - party (Note 1)	Transaction details during 2018			Payment Terms	Percentage of consolidated sales revenue and total assets (Note 2)
				Financial Statements Item	Amount	Amount		
7	WCZ	WYHQ	3	Account Receivable	2,856,960	OA60	0.84%	
8	WEKS	The company	2	Sales	134,634,141	OA90	15.14%	
8	WEKS	The company	2	Account Receivable	22,610,465	OA90	6.67%	
9	WIN	The company	2	Sales	320,036	OA60	0.04%	
10	WITX	The company	2	Account Receivable	6,838,500	OA90	2.02%	
11	WMKS	The company	2	Sales	109,859	OA60	0.01%	
11	WMKS	WSCZ	3	Sales	121,582	OA60	0.01%	
12	WMX	WYUDE	3	Sales	762,687	OA90	0.09%	
12	WMX	WITT	3	Sales	193,092	OA90	0.02%	
13	WOK	The company	2	Sales	55,383,848	OA90	6.23%	
13	WOK	The company	2	Account Receivable	19,588,264	OA90	5.78%	
14	WRKS	The company	2	Sales	471,246	OA90	0.05%	
15	WSCQ	The company	2	Sales	6,256,013	OA60	0.70%	
15	WSCQ	The company	2	Account Receivable	1,095,969	OA60	0.32%	
16	WSCZ	WMKS	3	Sales	152,381	OA90	0.02%	
17	WSKS	The company	2	Sales	3,067,324	OA60	0.34%	
17	WSKS	The company	2	Account Receivable	733,154	OA60	0.22%	
18	WSPH	The company	2	Sales	581,614	OA30	0.07%	
18	WSPH	WSCQ	3	Sales	131,045	OA90	0.01%	
19	WSSG	WSCQ	3	Sales	225,252	OA60	0.03%	
20	WTX	WSMX	3	Sales	142,280	OA60	0.02%	
20	WTX	The company	2	Sales	179,140	OA60	0.02%	
21	WTZ	The company	2	Sales	2,088,638	OA60	0.23%	
21	WTZ	WOSH	3	Sales	1,107,289	OA90	0.12%	
21	WTZ	WCD	3	Sales	740,982	OA90	0.08%	
21	WTZ	WAKS	3	Sales	132,247	OA90	0.01%	
21	WTZ	WOSH	3	Account Receivable	562,207	OA90	0.17%	
21	WTZ	The company	2	Account Receivable	224,338	OA90	0.07%	
22	WTZS	The company	2	Sales	699,247	OA90	0.08%	
22	WTZS	The company	2	Account Receivable	138,594	OA90	0.04%	
23	WYHQ	WYUDE	3	Sales	19,975,547	OA120	2.25%	
23	WYHQ	WYJP	3	Sales	3,085,415	OA90	0.35%	

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 7 Business relationships and significant inter - company transactions  
(December 31, 2018)

(TWD : expressed in thousands)

No.	Company Name	Related Party	Existing relationship with counter - party (Note 1)	Transaction details during 2018			Payment Terms	Percentage of consolidated sales revenue and total assets (Note 2)
				Financial Statements Item	Amount	Amount		
23	WYHQ	WYKR	3	Sales	1,681,231		OA90	0.19%
23	WYHQ	WYHK	3	Sales	1,200,889		OA90	0.14%
23	WYHQ	WYKS	3	Sales	951,182		OA90	0.11%
23	WYHQ	WIN	3	Sales	724,029		OA90	0.08%
23	WYHQ	WYUDE	3	Account Receivable	7,081,699		OA120	2.09%
23	WYHQ	WYKS	3	Account Receivable	397,007		OA90	0.12%
23	WYHQ	WYJP	3	Account Receivable	315,483		OA90	0.09%
24	WYUDE	WYHQ	3	Sales	1,056,908		OA90	0.12%
24	WYUDE	WBR	3	Sales	312,018		OA90	0.04%
25	WZS	COWIN	3	Sales	167,938,245		OA90	18.88%
25	WZS	WTZS	3	Sales	154,709		OA90	0.02%
25	WZS	COWIN	3	Account Receivable	23,734,226		OA90	7.00%

Note 1: Relationship :

- 1.transactions between parent company and subsidiary
- 2.transactions between subsidiary and parent company
- 3.transactions between subsidiary and subsidiary

Note 2: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets

Note 3: The section only discloses the information of sales and accounts receivable of inter - company transactions, as well as the purchase and accounts payable of counter - party.



## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 8 Information on investees (excluding investees in Mainland China)  
(For the year ended December 31, 2018, the following is the information on investees)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Shares	Ending balance		Highest percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance		Ratio of shares	Book value				
The company	WMX	Mexico	Major operations	2,265,012	2,851,329	293,454	100.00%	2,384,389	490,012	490,012	Note	
The company	WTX	U.S.A.	assembly and installation of LCD TV	386,196	386,196	4,833	100.00%	1,504,164	155,727	155,727	Note	
The company	AIH	B.V.I.	Customer service and sale	6,041,478	6,041,478	347,486	100.00%	5,046,507	-	-	Note	
The company	COWIN	B.V.I.	Investment and holding, sale of information and communication equipment and components	6,030,379	6,030,379	188,394	100.00%	13,848,053	945,722	945,722	Note	
The company	Win Smart	B.V.I.	Investment and holding	14,894,651	11,900,251	484,065	100.00%	31,910,286	(154,898)	(154,898)	Note	
The company	WCL	Taiwan	Investment consultant and business management consultant	1,197,000	1,197,000	-	100.00%	1,760,779	373,929	373,929	Note	
The company	ISI	Taiwan	Safety and EMI test	14,603	14,603	2,094	100.00%	56,134	3,913	3,913	Note	
The company	WSPH	Philippines	Customer service and sale	2,853,068	2,853,068	139,567	100.00%	2,448,870	25,204	25,204	Note	
The company	WLLC	U.S.A.	Investment and holding	1,682,824	1,682,824	5,436	100.00%	2,200,862	58,105	58,105	Note	
The company	WVS	B.V.I.	Investment and holding	398,221	398,221	12,005	100.00%	482,093	54,027	54,027	Note	
The company	WEH	Netherlands	Investment and holding	1,421,024	1,421,024	-	99.99%	449,040	45,660	45,660	Note	
The company	WBR	Brazil	Customer service	623,794	623,794	37,243	99.99%	99,999	(60,030)	(60,030)	Note	
The company	WTR	Turkey	Customer service	46,650	46,650	22	99.90%	82,197	28,142	28,142	Note	
The company	WGTX	U.S.A.	Recycling service of information technology products	859,795	859,795	13	100.00%	91,169	(20,842)	(20,842)	Note	
The company	WGHK	Hong Kong	Investment and holding	1,003,476	1,003,476	33,500	100.00%	273,954	(51,754)	(51,754)	Note	
The company	WMY	Malaysia	assembly and installation of LCD TV	775,360	775,360	80,000	100.00%	376,431	(30,705)	(30,705)	Note	
The company	WSMX	Mexico	Customer service	89,134	89,134	36,429	100.00%	(72,025)	(9,737)	(9,737)	Note	
The company	WSCO	Colombia	Customer service	91,561	91,561	559	100.00%	70,792	17,570	17,570	Note	
The company	WGH	U.S.A.	R&D	589,520	589,520	20	100.00%	566,194	(64,317)	(64,317)	Note	
The company	WYHQ	Taiwan	Research, development, sale, and service of information products	1,563,161	491,460	77,814	51.18%	5,515,990	5,577,577	2,872,842	Note	
The company	WEDH	Seychelles	Investment and holding	1,701,148	59,760	5,700	100.00%	2,733	(6,932)	(6,932)	Note	
The company	WCHK	Hong Kong	Investment and holding	225,494	225,494	58,446	100.00%	162,613	110,880	110,880	Note	
The company	WCHQ	Taiwan	Sale and maintenance of computer products and electronic information products	10,000	10,000	1,000	100.00%	(2,424)	(1,912)	(1,912)	Note	
The company	WCZ	Czech Rep.	Production, installation and repairing of electronic appliances	789,793	789,793	-	100.00%	2,485,415	848,828	848,828	Note	
The company	WEHK	Hong Kong	Investment and holding, development of Internet platform, provide, sale, and consultancy of the application service	247,954	247,954	11,426	100.00%	(111,044)	(63,131)	(63,131)	Note	
The company	AGI	Taiwan	Storage equipment, digital monitoring system, sales of digital multimedia, and related consultancy service	465,948	296,148	19,999	99.99%	184,552	(10,054)	(10,055)	Note	
The company	WSSG	Singapore	Customer service	3,476,457	1,864,775	112,489	100.00%	2,876,359	(161,514)	(161,514)	Note	
The company	WDH	Taiwan	Investment and holding	600,000	600,000	63,431	100.00%	727,136	70,494	70,494	Note	
The company	WMH	Taiwan	Investment and holding	2,000,000	1,200,000	200,000	100.00%	1,232,939	(108,923)	(108,923)	Note	
The company	WSTH	Thailand	Maintenance of computer products	8,652	8,652	3,799	100.00%	8,660	(55)	(55)	Note	
The company	ANC	U.S.A.	Sales and maintenance of mobile phone	22,808	22,808	75	100.00%	26,518	2,692	2,692	Note	
The company	WSCL	Chile	Maintenance of computer products	31,710	31,710	-	100.00%	(18,077)	(42,904)	(42,904)	Note	
The company	WTS	U.S.A.	Development of new business and customer service	10,348	3,022	35	100.00%	11,914	1,136	1,136	Note	
The company	ILH	Taiwan	Sale of audio system of vehicle and components	578,889	578,889	57,889	41.03%	41,250	(114,027)	(46,783)	-	
The company	WNC	Taiwan	Manufacturing and sale of wireless receiver products	585,487	586,286	89,675	23.99%	3,771,052	1,929,345	462,638	(2)	
The company	Super Elite	Mauritius	Investment and holding	54,089	59,865	1,537	23.90%	13,899	(8)	-	-	
The company	TPE	Taiwan	Wholesale and retail of electronic material	26,728	20,943	3,009	16.63%	40,813	37,730	8,611	-	
The company	ISGTC	Seychelles	Research and design, and sale of information technology products	160,025	160,025	5	40.00%	-	-	-	-	
The company	FSGTC	Hong Kong	Research and design, and sale of information technology products	160,000	160,000	5	40.00%	-	-	-	-	

(TWD : expressed in thousands)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 8 Information on investees (excluding investees in Mainland china)  
(For the year ended December 31, 2018, the following is the information on investees)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Shares	Ending balance		Highest percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance		Ratio of shares	Book value				
The company	HCL	B.V.I.	Investment and holding	96,045	96,045	-	30.00%	74,521	30.00%	1,257	377	-
The company	Formosa Prosonic Industries Berhad	Malaysia	Manufacturing of audio and hooter	513,565	513,565	69,260	28.00%	465,872	28.00%	2,272,292	81,949	-
The company	Snariply Inc.	U.S.A.	Management of internet optimization	62,710	62,710	2,724	23.68%	18,355	19.91%	(104,462)	(27,856)	-
The company	Optimus Electronics Limited	India	Manufacturing of smart phone and tablet	13,596	13,596	2,760	19.91%	-	19.91%	(54,055)	(7,795)	-
The company	WIS	Taiwan	Wholesale and retail of information software, manufacturing of computer products and components	214,656	214,656	17,888	46.10%	224,409	46.10%	7,314	3,372	-
AGI	Xserve(BVI)Corp.	B.V.I.	Investment and holding	3,938	3,938	113	15.00%	-	15.00%	-	Fill - free	-
AIHJ	WJP	Japan	CSD Maintenance company	129,985	129,985	9	100.00%	224,941	100.00%	(31,028)	Fill - free	Note
AIHJ	WDC	B.V.I.	Investment and holding, sale of telecommunication equipment and components	3,763,657	3,763,657	124,100	100.00%	3,326,265	100.00%	99,352	Fill - free	Note
AIHJ	WNC	Taiwan	Manufacturing and sale of wireless receiver products	1,311	1,311	115	0.03%	4,865	0.03%	1,929,345	Fill - free	-
AIHJ	Hartec/Asia	Singapore	Investment and holding	178,700	178,700	6,090	20.02%	213,425	20.02%	24,550	Fill - free	-
AIHJ	WEH	Netherlands	Investment and holding	91	91	-	0.01%	84	0.01%	45,660	Fill - free	Note
AIHJ	WBR	Brazil	Customer service	96	96	5	0.01%	92	0.01%	(60,030)	Fill - free	Note
AIHJ	Hsieh Yuh	B.V.I.	Holding company and OEM	80,678	80,678	3,990	26.08%	-	26.08%	31,967	Fill - free	-
AIHJ	Xserve(BVI)Corp.	B.V.I.	Investment and holding	4,988	4,988	143	19.00%	-	19.00%	-	Fill - free	-
WCL	WLB	Taiwan	Investment consultant and business management consultant	134,500	134,500	-	100.00%	443,912	100.00%	186,211	Fill - free	Note
WCL	WCT	Netherlands	R&D	445,704	445,704	-	100.00%	384,258	100.00%	(13,651)	Fill - free	Note
WCL	WYHQ	Taiwan	Research, development, sale, and service of information products	287,233	287,233	4,346	2.86%	308,108	2.90%	5,577,577	Fill - free	Note
WCL	JLH	Taiwan	Sale of audio system of vehicle and components	55,256	55,256	5,526	3.92%	3,937	3.92%	(114,027)	Fill - free	-
WCL	WAC	Taiwan	Manufacturing, wholesale and retail of electronic related products	1,000	-	100	100.00%	999	100.00%	(1)	Fill - free	Note
WCL	WITS	Taiwan	Manufacturing and maintenance of computer information system, technical consultant	36,582	20,576	1,671	2.78%	59,394	4.16%	253,190	Fill - free	-
WCL	WNC	Taiwan	Manufacturing and sale of wireless receiver products	2,450	60,512	100	0.03%	5,226	0.66%	1,929,345	Fill - free	-
WCL	WTR	Turkey	Customer service	47	47	-	0.10%	47	0.10%	28,142	Fill - free	Note
WCL	MAYA	Taiwan	Information integration of medical clinic	22,800	7,800	773	10.91%	20,654	10.91%	(35,413)	Fill - free	-
WCL	TPE	Taiwan	Wholesale and retail of electronic material	16,563	-	1,183	6.54%	16,893	6.54%	37,730	Fill - free	-
WDH	WITS	Taiwan	Manufacturing and maintenance of computer information system, technical consultant	330,202	226,774	14,293	23.74%	446,338	24.98%	253,190	Fill - free	-
WDH	CGI	Taiwan	Software and information technology service, Research video application software for manufacture and sale,	35,325	35,325	2,858	25.12%	39,473	25.93%	22,870	Fill - free	-
WEDH	WEMY	Malaysia	Development and sales of information technology products and related software	170,192	59,804	21,236	100.00%	2,594	100.00%	(6,897)	Fill - free	Note
WEH	WPV	Netherlands	R&D	1,025,291	1,025,291	-	100.00%	115,947	100.00%	(967)	Fill - free	Note
WEH	WSCZ	Czech Rep.	SERVICE	372,337	372,337	-	100.00%	322,177	100.00%	45,898	Fill - free	Note
WEHK	WETW	Taiwan	Internet platform development, providing and sales of application services, and consulting services	65,000	65,000	6,500	100.00%	(158,078)	100.00%	(53,064)	Fill - free	Note
WHK	WIN	India	Computing products repair and service parts distribution	-	-	-	0.01%	-	0.01%	(152,774)	Fill - free	Note
WHK	WMI	India	Mobile Products Manufacturer	-	-	-	0.01%	-	0.01%	(19,229)	Fill - free	Note
Win Smart	WHK	Hong Kong	Computer repair service	97,729	97,729	25,281	100.00%	83,420	100.00%	(3,028)	Fill - free	Note
Win Smart	WHHK	Hong Kong	Investment and holding	2,682,237	2,682,237	89,550	100.00%	5,877,070	100.00%	(1,934)	Fill - free	Note
Win Smart	MINDFORCE	B.V.I.	Investment and holding	692,634	692,634	21,692	28.88%	713,527	28.88%	(213,472)	Fill - free	-
WLB	WYHQ	Taiwan	Research, development, sale, and service of information products	152,387	32,387	5,168	3.40%	366,403	3.40%	5,577,577	Fill - free	Note
WLB	PELL	Taiwan	Biotechnology service	1,500	1,500	150	1.24%	2,966	1.29%	(2,946)	Fill - free	-

(TWD : expressed in thousands)

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Table 8 Information on investees (excluding investees in Mainland China)  
(For the year ended December 31, 2018, the following is the information on investees)

(TWD : expressed in thousands)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Shares	Ending balance		Highest Percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance		Ratio of shares	Book value				
WLB	WIS	Taiwan	Wholesale and retail of information software, manufacturing of computer products and components	3,022	-	270	0.70%	3,028	7,314	Fill - free	-	
WLLC	WITX	U.S.A.	Warehousing , logistics and distribution for the related products and components of computer , communication and consumer electronic products	1,525,557	1,525,557	4,950	100.00%	2,039,765	62,062	Fill - free	Note	
WLLC	WITT	U.S.A.	Processing and sale of electronic information products	149,794	149,794	451	100.00%	121,697	1,726	Fill - free	Note	
WMH	WMT	Taiwan	manufacturing of medical instruments	200,000	200,000	20,000	100.00%	153,944	(26,190)	Fill - free	Note	
WMH	MAYA	Taiwan	Information integration of medical clinic	48,614	6,917	2,346	33.10%	56,754	(35,413)	Fill - free	-	
WMH	Free Bionics, Inc.	Cayman Island	research, design and sale of medical instruments	270,850	270,850	10,100	49.03%	178,856	(127,525)	Fill - free	-	
WMH	PELL	Taiwan	Biotechnology service	120,000	120,000	2,400	19.80%	118,034	(2,946)	Fill - free	-	
WSSG	WIN	India	Computing products repair and service parts distribution	1,805,085	1,805,085	14,344	99.99%	1,326,499	(152,774)	Fill - free	Note	
WSSG	WSMY	Malaysia	Computing Products repair and service parts distribution	33,240	33,240	3,548	100.00%	(4,933)	(1,588)	Fill - free	Note	
WSSG	WMI	India	Mobile Products Manufacturer	809,867	-	180,801	99.99%	775,814	(19,229)	Fill - free	Note	
WYHQ	WYJP	Japan	Sale of electronic products	6,620	6,620	-	100.00%	95,940	63,784	Fill - free	Note	
WYHQ	WYUDE	U.S.A.	Sale of electronic products	5,021,581	272,253	169,010	100.00%	5,322,048	74,514	Fill - free	Note	
WYHQ	WYHK	Hong Kong	Investment and holding	12,181	12,181	400	100.00%	91,201	51,823	Fill - free	Note	
WYHQ	WYKR	South Korea	Sale of electronic products	2,903	2,903	20	100.00%	59,000	42,238	Fill - free	Note	
WYHQ	WYMY	Malaysia	Sale of electronic products	15,109	15,109	2,050	100.00%	14,967	(187)	Fill - free	Note	

Note: The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

Table 9 Information on investment in Mainland China  
1. Information on investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment	Accumulated Investment from January 1, 2018	Investment Flows		Accumulated Investment from Taiwan as of December 31, 2018	Net income (loss) of the investee	Highest percentage of shares during the period	Direct / Shareholding (%) by the Company	Share of Profit/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow								
Wistron InfoComm (Zhongshan) Corporation	Assembly and sales of computer, server, and LCD TV	7,394,068 (Note1)	(Note2)2	7,394,179 (Note1)	-	-	7,394,179	912,408	100.00%	100.00%	912,408	17,484,717	-	(Note2)6
Wistron InfoComm (Shanghai) Corporation	Research, development, design, testing and sales of computers software	31,691	(Note2)2	31,691	-	-	31,691	2,238	100.00%	100.00%	2,238	52,072	-	(Note2)6
Wistron InfoComm Technology (Zhongshan) Co., Ltd.	Assembly and sales of LCD Monitor	67,510	(Note2)2	67,510	-	-	67,510	53,138	100.00%	100.00%	53,138	395,497	-	(Note2)6
Wistron InfoComm (Kunshan) Co., Ltd.	Assembly and sales of Notebook computer	1,085,212 (Note2)	(Note2)2	1,085,212 (Note2)	-	-	1,085,212	(414,574)	100.00%	100.00%	(414,574)	9,761,342	-	(Note2)6
Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	Sales of mobile phone	939,430	(Note2)2	939,430	-	-	939,430	331,392	100.00%	100.00%	331,392	892,4697	-	(Note2)6
Wistron Service (Kunshan) Corp.	Maintenance of computer products	12,287	(Note2)2	12,287	-	-	12,287	19,892	100.00%	100.00%	19,892	626,000	-	(Note2)6
SMS (Kunshan) Co., Ltd.	Maintenance of computer products	806,230	(Note2)2	806,230	-	-	806,230	95,094	100.00%	100.00%	95,094	1,681,211	-	(Note2)6
Wistron InfoComm (Fuzhou) Co., Ltd.	Assembly and sales of LCD Monitor and Touch display module	4,929,489	(Note2)2	4,929,489	-	-	4,929,489	(652,800)	100.00%	100.00%	(652,800)	(3,164,167)	-	(Note2)6
WIS PRECISION (KUNSHAN) CO., LTD.	Production and sales of computer shell mold plastic	796,220	(Note2)2	231,014	-	-	231,014	(55,653)	28.88%	28.88%	(16,072)	174,135	-	-
T-CONN PRECISION (Zhongshan) CORPORATION	Production of telecommunication equipment and coupling for Special purpose.	234,991	(Note2)2	85,873 (Note3)	-	-	85,873	9,892	23.90%	23.17%	2,455	469	-	-
Wistron Optonics (Kunshan) Co., Ltd.	Production of communication products and components	3,676,442	(Note2)2	3,632,613 (Note1)	-	-	3,632,613	86,528	100.00%	100.00%	86,528	3,236,737	-	(Note2)6
Wistron Optonics (Shanghai) Co., Ltd.	Sales of communication products and components	131,044	(Note2)2	131,044	-	-	131,044	12,823	100.00%	100.00%	12,823	69,516	-	(Note2)6
BISHIYU ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD.	Production and management of new-type electronic components	426,055 (Note18)	(Note2)2	79,722	-	-	79,722	31,264	26.08%	26.08%	-	-	-	-
LIAN-YI PRECISION (ZHONGSHAN) INC.	Manufacturing of high-temperature resistant insulation materials and moulded insulation products, Assembly of computer, server and their peripheral equipment.	1,124,931	(Note2)2	332,795	-	-	332,795	(244,040)	28.88%	28.88%	(70,479)	(291,483)	-	-
Harce Technology (Kunshan) Co., Ltd.	Sales of new-type alloy(Mg-X-Al) material	2,220,502	(Note2)2	643,191	-	-	643,191	247,108	28.88%	28.88%	71,382	748,505	-	-
Wistron Advanced Materials (Kunshan) Co., Ltd.	Production and sales of electronic high-tech nano material	516,917	(Note2)2	128,815	-	-	128,815	37,069	20.02%	20.02%	7,421	167,300	-	-
Zongshan Global Lighting Technology Limited Co.	Research, manufacturing, and sales of electronic regeneration ecofriendly plastic goods	953,939	(Note2)2	953,939	-	-	953,939	(48,680)	100.00%	100.00%	(48,680)	257,151	-	(Note2)6
Wistron InfoComm (CHONGQING) CO.LTD.	Sales of LQP, backlight and related light-electronic components	445,825	(Note2)2	72,007	-	-	72,007	NA	15.97%	15.97%	-	73,621	-	-
Wistron Investment (Sichuan) Co., Ltd.	Investment and holding	583,823	(Note2)2	583,823	-	-	583,823	459,484	100.00%	100.00%	459,484	411,6903	-	(Note2)6
Wistron InfoComm (Chengdu) Co., Ltd.	Assembly and sales of Notebook computer	2,396,524	(Note2)2	2,396,524 (Note5)	-	-	2,396,524	2,591	100.00%	100.00%	2,591	5,542,993	-	(Note2)6
Wistron InfoComm Technology Service (Kunshan) Co., Ltd.	Research and development of electronic calculator and other electronic products	59,042	(Note2)2	59,042	-	-	59,042	11,522	100.00%	100.00%	11,522	117,804	-	(Note2)6
Weshek Information Technology Services Co., Ltd., Shanghai	Development of internet platform, providing application services, consulting services	31,324	(Note2)2	22,449 (Note19)	-	-	22,449	(3,573)	100.00%	100.00%	(3,573)	6,780	-	(Note2)6
Shenzhen Keen High Technologies Ltd	Manufacturing of digital photo frame, MP3, MP4 and GPS	196,648	(Note2)2	31,110 (Note6)	-	-	31,110	NA	15.17%	15.17%	-	-	-	-
SMS InfoComm (Chongqing) Co., Ltd.	Sales and distribution of computer products and components	126,838	(Note2)1	126,838	-	-	126,838	(9,477)	100.00%	100.00%	(9,477)	149,564	-	(Note2)6
Kunshan Changjun Precision Die Casting Co., Ltd.	Sales and distribution of Zn/Al Alloy precision casting process, LCD Monitor of supporting frame and Electric tool series.	173,981	(Note2)1	-	-	-	-	(6,321)	15.27%	14.96%	(225)	8,212	-	-
Wiyom Technology Service Kunshan Ltd.	Sales of electronic products	10,659	(Note2)2	-	-	-	-	24,025	57.55%	57.44%	13,788	26,232	-	(Note2)6
JCA Inc.	Research, design, manufacturing, sales, and maintenance of intelligent terminals	91,991	(Note2)2	-	-	-	-	(15,940)	20.00%	20.00%	(3,388)	10,651	-	-
Wistron Medical Tech (Chongqing) CO., LTD.	Production of medical equipments	94,500	(Note2)1	-	-	-	-	(26,493)	100.00%	100.00%	(26,493)	50,915	-	(Note2)6

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2. Limitation on investment in Mainland China

Company	Accumulated Investment in Mainland China as of December 31, 2018 (Note1) · (Note2) · (Note3) · (Note4) · (Note5) · (Note7) · (Note8) · (Note9) · (Note10) · (Note11) · (Note12) · (Note13) · (Note14) · (Note19) · (Note21) · (Note22) and (Note23)	Investment Amounts Authorized by Investment Commission, MOEA (Note4) · (Note15) and (Note20)	Upper Limit on Investment (Note16)
Wistron Corporation	25,380,324 (USD 816,162,330)	31,229,186 (USD 1,015,562,541)&(CNY 4,000,000)	-

(TWD : expressed in thousands)

(Note 1) The Company invested the amount of USD 5,150,000 (approximately TWD 149,551) in BRIVISION OPTRONICS (L) CORP, acquiring 50.99% of its share; therefore, resulting in an indirect ownership of BriVision first quarter of 2015. Therefore, 100% ownership of BriVision Optronics (Zhongshan) Corp. was transferred to Cowin Worldwide Corporation in the second quarter of 2014.

Wistron InfoComm (Zhongshan) Corporation, in which the Company indirectly owned 100% of its shares, merged with BriVision Optronics (Zhongshan) Corp. in the second quarter of 2015, resulting in an increase in the investment capital of Wistron InfoComm (Zhongshan) Corporation to USD 234,000,000 (approximately TWD 7,394,179), which was authorized by Investment Commission on December 26, 2016.

(Note 2) Wistron InfoComm (Kunshan) Co., Ltd. merged with Wistron InfoComm Technology (Kunshan) Co., Ltd. in the first quarter of 2015, both entities are 100% owned subsidiaries of the Company, resulting in an increase in the investment capital of Wistron InfoComm (Kunshan) Co., Ltd. to USD 32,000,000 (approximately TWD 1,085,212), which was authorized by the Investment Commission on January 23, 2015.

(Note 3) On January 24, 2005, the Company applied to the Investment Commission for the revision of the amount of its indirect investment in T - CONN PRECISION (Zhongshan) CORPORATION from USD 638,000 to USD Commission on May 17, 2012.

(Note 4) The Company indirectly invested in the capital of Wistron Optronics (Kunshan) Co., Ltd. and Wistron optronics (Shanghai) Corporation, through Wistron Optronics Corporation (WOC) and its subsidiary, WinDisplay, On August 17, 2007, WOD Co., Ltd. was renamed as Wistron Optronics Corporation.

(Note 5) The investment in Wistron InfoComm (Chengdu) Co., Ltd., through Wistron Investment (Sichuan) Co., Ltd., was authorized by the Investment Commission. The amount of accumulated investment in Mainland China had increased by USD 83,500,000 (approximately TWD 2,501,366).

(Note 6) The board of directors of Shenzhen Keen High Technologies Ltd., in which the Company indirectly invested in, resolved to apply to the Court for bankruptcy on December 22, 2014. The case is still in progress.

(Note 7) Shenzhen Jin Zhi Feng Electronic Co., Ltd. in which the Company indirectly invested in, had completed the cancellation of its business registration. The said investment capital amounting to USD 2,331,508.7, which entitled the Company to a full ownership of the entity, had been remitted to KJF Technology Ltd. and was authorized by the Investment Commission on January 12, 2015. However, according to the regulation, the remittance to Mainland China amounting to USD 104,452 (approximately TWD 3,155) was included in the accumulated investment amount.

(Note 8) Dong Guan Comtek Electronics Co., Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to CNY However, according to the regulation, the remittance to Mainland China amounting to USD 179,344 (approximately TWD 5,371), was included in the accumulated investment amount.

(Note 9) Top - Glory Electronic (Zhongshan) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 18,268.22,

(Note 10) Changshu Pu Yuan electronics Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 3,895,791.97, China amounting to USD 2,812,500 (TWD 84,714) was included in the accumulated investment amount.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (Note 11) Wistron optronics (Shanghai) Corporation, in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 58,823.63, the remittance to Mainland China amounting to USD 1 was included in the the accumulated investment amount.
- (Note 12) Wistron Service (Shanghai) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 6,507.67 (approximately TWD 196), which entitled the Company to a full ownership of the entity, had been remitted to Taiwan and was authorized by the Investment Commission on March 6, 2012. The amount resulted in a decrease in the authorized investment amount. Also, the cancellation of investment was authorized by the Investment Commission on December 8, 2011. However, according to the regulation, the remittance to Mainland China amounting to USD 133,492.33 (approximately TWD 4,350) was included in the the accumulated investment amount.
- (Note 13) WIT Precision (Taizhou) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 18,577.5 (approximately TWD 556), which entitled the Company to a 30% ownership of the entity, had been remitted to Taiwan and was authorized by the Investment Commission on September 18, 2012. The amount resulted in a decrease in the authorized investment amount. Also, the cancellation of investment of the Company had already been authorized. However, according to the regulation, the remittance amounting to USD 1,241,422.5 (approximately TWD 39,449) was included in the accumulated investment amount.
- (Note 14) Zhongshan Deyi Electrical Equipment Co.,Ltd.(Deyi), in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD Commission on November 4, 2013. However, according to the regulation, the remittance to Mainland China amounting to (approximately TWD 5,121) was included in the the accumulated investment amount.
- (Note 15) Translated using the spot rates on December 31, 2018.
- (Note 16) On December 6, 2017, the Company obtained the Certificate of Qualified Operating Headquarters, which was issued by the Department of Industrial Development, Ministry of Economic Affairs, in accordance with the revised "Approval Guidelines for Engagement in Investments or Technological Cooperation in Mainland China" and "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" that was announced on August 22, 2008. Therefore, the Company was not restricted or limited, in anyway, regarding the investment amount in Mainland China.
- (Note 17) Wistron InfoComm (CHONGQING) Co. Ltd., one of the fully directly owned subsidiaries of the Company, used its own capital to invest in ICA Inc.; the transaction was not restricted or limited, in anyway, regarding the investment amount in Mainland China.
- (Note 18) HSIEH - YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD. merged with BriVision Optronics (Zhongshan) Corp. in the fourth quarter of 2016, both entities are fully owned subsidiaries of the Company, by the Investment Commission on November 30, 2016.
- (Note 19) The Company invested the amount of USD 16,961 (approximately TWD 513) in WIEDU HONG KONG LIMITED, acquiring 18.73% of its share; therefore, resulting in an indirect ownership of Weshtek Information Technology Services Co., Ltd., Shanghai (Weshtek), which entitled the Company to a full ownership of Weshtek.
- (Note 20) On December 18, 2017, the Company indirectly invested the amount of USD 200,000,000, through Win Smart Co., in WISTRON INVESTMENT (JIANGSU) CO. LTD. to invest in Wistron InfoComm Manufacturing (Kunshan) Co., Ltd., making Wistron (Jiangsu) a holding company in Mainland China. However, the investment in Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. has yet to be carried out.
- (Note 21) Wistron InfoComm (Qingdao) Co.,Ltd, Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 7,123,297.09, which entitled the Company to a full ownership of the entity, had been remitted to WISTRON HONG KOMG HOLDING LIMITED. and was authorized by the Investment Commission on March 14, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 6,000,000(approximately TWD 179,436), was included in the the accumulated investment amount.
- (Note 22) Wiyynn Technology Service (Beijing) Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to CNY 7,543.21, which entitled the Company to a full ownership of the entity, had been remitted to WIN SMART CO.,LTD. and was authorized by the Investment Commission on May 18, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 2,899,788.94(approximately TWD 86,742) was included in the the accumulated investment amount.

## WISTRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(Note23) ANWITH (KunShan) CO.,LTD. in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 2,023,982.58, which entitled the Company to a full ownership of the entity, had been remitted to WISTRON HONG KONG LIMITED, and was authorized by the Investment Commission on October 19, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 3,000,000(approximately TWD 89,256) was included in the accumulated investment amount.

(Note24) Ways to Invest in Mainland China :

1. Direct investment in Mainland China.
2. Indirect investment in Mainland China through a foreign company
3. Others

(Note25) Recognized share of associates and joint ventures accounted for equity method :

1. The financial statements of the investee company were reviewed by the global accounting firm in cooperation with R.O.C. accounting firm.
2. The financial statements of the investee company were reviewed by the Company auditor
3. Others

(Note26) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

### 3. Significant transactions

The significant transactions of the entities in China in which the Company, directly or indirectly owned, refer to table 1 to table 9.

## 6.5 Parent Company only Financial Statements



安侯建業聯合會計師事務所

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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, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years ended, 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 of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 (refund liability)

Please refer to Note 4(q), Note 5(a), and Note 6(u) of the parent company only financial statements.

##### Description of key audit matter

Provision of sales return and allowance (refund liability) 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 valued sales return and allowance.



## How the matter was addressed in our audit

Our principal audit procedures included testing the Company's controls surrounding the revenue recognition for key manual and systems based controls, tracing general ledger to sales systems and reconciling their differences, as well as assessing the appropriateness in applying accounting policies to revenue recognition process. Also, in respect of the accrual for rebates and returns, our audit involved testing the key management controls over the claims and credits. In order to assess the reasonableness of the estimates for such accruals, we considered the appropriateness of the calculation, imputed parameters, key assumptions, and the historical experience.

## 2. Inventory valuation

Please refer to Note 4(g), Note 5(b), and Note 6(h).

### Description of key audit matter

Inventories are stated at the lower of cost or net realizable value. The rapid development of technology and the advance of new electronic products can have a significant impact on market demand, which may lead to product obsolescence that will affect the cost of inventory to be higher than its 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 included 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 the 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 (including the Audit Committee) 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 Lily Lu and Chia Hsin Chang.

KPMG



Taipei, Taiwan (Republic of China)  
March 25, 2019

#### Notes to Readers

The accompanying parent company only financial statements financial statements are intended only to present the parent company only financial statements 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 parent company only financial statements financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)  
**WISTRON CORPORATION**  
**Parent Company Only Balance Sheets**  
**December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Assets</b>									
<b>Current assets:</b>									
1100 Cash and cash equivalents (note 6(a))	\$ 15,244,305	4	32,925,845	9	2100 Short-term loans (notes 6(m)(aa))	\$ 34,434,687	10	49,100,421	13
1110 Current financial assets at fair value through profit or loss (note 6(b))	63,908	-	10,112	-	2120 Current financial liabilities at fair value through profit or loss (note 6(b))	74,336	-	218,195	-
1125 Current available-for-sale financial assets (note 6(d))	-	-	200,682	-	2130 Current contract liabilities (note 6(u))	1,219,899	-	-	-
1170 Notes and accounts receivable, net (note 6(f)(u))	70,492,726	19	48,381,604	13	2170 Notes and accounts payable	54,896,358	15	55,460,270	14
1180 Accounts receivable - related parties (notes 6(D)(u) and 7)	160,521,861	44	197,757,475	51	2180 Accounts payable - related parties (note 7)	153,757,872	42	181,780,665	47
1210 Other receivables - related parties (notes 6(g) and 7)	410,814	-	770,872	-	2220 Other payables - related parties (note 7)	7,045,748	2	1,921,710	-
1220 Current tax assets	717,038	-	656,953	-	2250 Provisions (note 6(n))	-	-	1,749,862	1
130X Inventories (note 6(h))	12,312,926	4	17,244,038	5	2322 Current portion of long-term loans (note 6(m))	-	-	8,133,960	2
1470 Other current assets (notes 6(f)(g)(l))	12,962,996	4	9,570,306	2	2365 Current refund liability (note (u))	4,917,958	1	-	-
<b>Total current assets</b>	<u>272,726,574</u>	<u>75</u>	<u>307,517,887</u>	<u>80</u>	2300 Other current liabilities (note 6(n))	19,084,954	5	17,160,805	5
<b>Non-current assets:</b>					<b>Total current liabilities</b>	<u>275,431,812</u>	<u>75</u>	<u>315,525,888</u>	<u>82</u>
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	382,766	-	-	-	<b>Non-Current liabilities:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	2,519,185	1	-	-	2540 Long-term loans (notes 6(m)(aa))	14,712,146	4	733,316	-
1523 Non-current available-for-sale financial assets (note 6(d))	-	-	2,114,393	1	2570 Deferred tax liabilities (note 6(g))	3,137,665	1	3,432,915	1
1543 Non-current financial assets carried at cost (note 6(e))	-	-	1,336,488	-	2600 Other non-current liabilities (note 6(p))	2,123,989	1	1,672,657	-
1550 Equity - accounted investees (note 6(i))	78,951,951	22	66,525,303	17	<b>Total non-current liabilities</b>	19,973,800	6	5,838,888	1
1600 Property, plant and equipment (notes 6(j) and 7)	4,747,740	1	4,821,377	1	<b>Total liabilities</b>	295,405,612	81	321,364,776	83
1780 Intangible asset (note 6(k))	941,498	-	897,455	-	<b>Equity (notes 6(c)(q)(r)(s)):</b>				
1840 Deferred tax asset (note 6(q))	3,822,855	1	3,023,263	1	3110 Capital stock	28,421,220	8	27,486,880	7
1900 Other non-current asset (notes 6(l) and 8)	258,240	-	254,984	-	3200 Capital surplus	22,863,619	6	22,076,225	6
<b>Total non-current assets</b>	<u>91,624,235</u>	<u>25</u>	<u>78,973,263</u>	<u>20</u>	3300 Retained earnings	22,321,828	6	21,326,529	5
					3400 Other equity interest	(4,128,234)	(1)	(4,010,255)	(1)
					3500 Treasury shares	(533,236)	-	(1,753,005)	-
					<b>Total equity</b>	68,945,197	19	65,126,374	17
<b>Total assets</b>	<u>\$ 364,350,809</u>	<u>100</u>	<u>\$ 386,491,150</u>	<u>100</u>	<b>Total liabilities and equity</b>	<u>\$ 364,350,809</u>	<u>100</u>	<u>\$ 386,491,150</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)  
WISTRON CORPORATION

## Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , except for earnings per common share)

	2018		2017	
	Amount	%	Amount	%
4000 Net revenues (notes 6(n)(u)(v) and 7)	\$ 750,900,387	100	765,438,943	100
5000 Cost of sales (notes 6(h)(j)(k)(o)(p)(w), 7 and 12)	734,976,713	98	745,603,066	97
5900 Gross profit	15,923,674	2	19,835,876	3
5910 Unrealized profit from sales	(164,564)	-	(134,440)	-
5950 Net gross profit	15,759,110	2	19,701,436	3
6000 Operating expenses (notes 6(f)(j)(k)(o)(p)(w), 7 and 12):				
6100 Selling	2,627,029	-	2,579,863	-
6200 Administrative	2,222,854	-	2,192,499	-
6300 Research and development	11,171,040	2	11,531,810	2
Total operating expenses	16,020,923	2	16,304,172	2
6900 Operating income (loss)	(261,813)	-	3,397,264	1
7000 Non-operating income and expenses (notes 6(i)(l)(o)(v)(x), 7 and 12):				
7010 Other income	311,483	-	306,847	-
7020 Other gains and losses	1,142,002	-	430,094	-
7050 Finance costs	(3,050,803)	-	(1,682,720)	-
7070 Recognized share of subsidiaries, associates and joint ventures accounted for equity method	5,780,462	1	1,532,313	-
Total non-operating income and expenses	4,183,144	1	586,534	-
7900 Profit before tax	3,921,331	1	3,983,798	1
7950 Less: income tax expenses (benefit) (note 6(q))	(987,141)	-	98,282	-
Net profit	4,908,472	1	3,885,516	1
8300 Other comprehensive income (notes 6(i)(p)(q)(r)(x)):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Losses on remeasurements of defined benefit plans	(160,648)	-	(71,738)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(326,017)	-	-	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(552,356)	-	2,237	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(54,304)	-	(12,195)	-
	(984,717)	-	(57,306)	-
8360 Other components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	1,849,277	-	(4,456,411)	(1)
8362 Unrealized losses on valuation of available-for-sale financial assets	-	-	(716,022)	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(422,729)	-	353,668	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	20	-	(58,383)	-
	1,426,528	-	(4,760,382)	(1)
8300 Total other comprehensive income, net of tax	441,811	-	(4,817,688)	(1)
8500 Total comprehensive income	\$ 5,350,283	1	(932,172)	
Earnings per share (in dollars) (note 6(t))				
9750 Basic earnings per share	\$ 1.76		1.44	
9850 Diluted earnings per share	\$ 1.73		1.41	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)  
WISTRON CORPORATION

**Parent Company Only Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock			Retained earnings				Other equity interest				Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Other unearned compensation for restricted employee share of stock	Treasury shares	
<b>Balance at January 1, 2017</b>	\$ 26,503,165	21,353,585	7,295,015	-	14,049,157	21,344,172	1,201,427	-	(451,300)	(113,721)	(2,592,278)	67,245,050
Net profit	-	-	-	-	3,885,516	3,885,516	-	-	-	-	-	3,885,516
Other comprehensive income	-	-	-	-	(57,306)	(57,306)	(3,942,392)	-	(817,990)	-	-	(4,817,688)
Total comprehensive income	-	-	-	-	3,828,210	3,828,210	(3,942,392)	-	(817,990)	-	-	(932,172)
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	296,110	-	(296,110)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,042,169)	(3,042,169)	-	-	-	-	-	(3,042,169)
Stock dividends	760,542	-	-	-	(760,542)	(760,542)	-	-	-	-	-	-
New share issued through employees' compensation	234,900	380,540	-	-	-	-	-	-	-	-	-	615,440
Changes in equity of associates and joint ventures accounted for using equity method	-	38,934	-	-	(41,924)	(41,924)	-	-	-	-	-	38,934
Treasury shares transferred to employees	-	(23,391)	-	-	(2,904)	(2,904)	-	-	-	-	-	(773,958)
Changes in ownership interests in subsidiaries	-	933	-	-	-	-	-	-	-	-	-	(1,951)
Share-based payment transactions	(11,727)	325,604	-	-	1,686	1,686	-	-	113,721	-	-	429,284
<b>Balance at December 31, 2017</b>	27,486,880	22,076,225	7,591,125	-	13,735,404	21,326,529	(2,740,965)	-	(1,269,290)	-	(1,753,005)	65,126,374
Effects of retrospective application	-	-	-	-	641,117	641,117	(2,740,965)	(2,069,890)	1,269,290	-	-	(159,483)
Balance at January 1, 2018 after adjustments	27,486,880	22,076,225	7,591,125	-	14,376,521	21,967,646	(2,740,965)	(2,069,890)	-	-	(1,753,005)	64,966,891
Net profit	-	-	-	-	4,908,472	4,908,472	-	-	-	-	-	4,908,472
Other comprehensive income	-	-	-	-	(118,683)	(118,683)	1,448,373	(887,879)	-	-	-	441,811
Total comprehensive income	-	-	-	-	4,789,789	4,789,789	1,448,373	(887,879)	-	-	-	5,350,283
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	388,552	-	(388,552)	-	-	-	-	-	-	-
Special reserve	-	-	-	4,010,255	(4,010,255)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,208,199)	(3,208,199)	-	-	-	-	-	(3,208,199)
Stock dividends	802,050	-	-	-	(802,050)	(802,050)	-	-	-	-	-	-
New share issued through employees' compensation	301,402	409,906	-	-	-	-	-	-	-	-	-	711,308
Changes in equity of associates and joint ventures accounted for using equity method	-	359,615	-	-	379	379	-	-	-	-	-	359,994
Treasury shares retired	(169,112)	(129,116)	-	-	(73,591)	(73,591)	-	-	-	-	-	(371,819)
Treasury shares transferred to employees	-	(7,186)	-	-	(79,317)	(79,317)	-	-	-	-	-	(847,950)
Changes in ownership interests in subsidiaries	-	154,175	-	-	(150,702)	(150,702)	-	-	-	-	-	3,473
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(122,127)	(122,127)	(1,292,592)	122,127	-	-	-	(1,292,592)
<b>Balance at December 31, 2018</b>	\$ 28,421,220	22,863,619	7,979,677	4,010,255	10,331,896	22,321,828	(1,292,592)	(2,835,642)	-	-	(533,236)	68,945,197

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)

## WISTRON CORPORATION

## Parent Company Only Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows used in operating activities:</b>		
Profit before tax	\$ 3,921,331	3,983,798
Adjustments:		
Adjustments to reconcile profit		
Depreciation expense	392,397	1,092,762
Amortization expense	272,300	274,517
Expected credit loss / provision (reversal of provision) for bad debt expense	11,882	(43,095)
Net loss on financial assets or liabilities at fair value through profit or loss	45,797	443,290
Interest expense	3,050,803	1,682,720
Interest income	(105,172)	(98,522)
Dividend income	(145,125)	(132,225)
Compensation cost arising from share-based payments	-	427,935
Recognized share of associates and joint ventures accounted for equity method	(5,780,462)	(1,532,313)
Gain on disposal of property, plan and equipment	(439)	(422)
Property, plan and equipment reclassified as expenses	1,023	7
Other assets reclassified as expenses	2,395	3,285
Gain on disposal of investments	(5,887)	(288,310)
Unrealized profit from sales	164,564	134,440
Other investment loss	-	13,521
Impairment loss on assets	-	98,682
<b>Total adjustments to reconcile profit</b>	<b>(2,095,924)</b>	<b>2,076,272</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable	(22,123,003)	4,121,960
Decrease (increase) in accounts receivable - related parties	37,235,614	(70,185,524)
Decrease (increase) in other receivable - related parties	(162,282)	47,266
Decrease (increase) in inventories	4,931,112	(6,479,280)
Increase in other current assets	(3,391,241)	(3,675,755)
<b>Total changes in operating assets</b>	<b>16,490,200</b>	<b>(76,171,333)</b>
Changes in operating liabilities:		
Decrease in current contract liabilities	(529,963)	-
Increase (decrease) in notes and accounts payable	(563,912)	5,075,272
Increase (decrease) in accounts payable - related parties	(28,022,793)	30,212,004
Increase in other payable - related parties	5,124,038	66,374
Decrease in provisions	-	(340,806)
Increase in current refund liability	1,020,320	-
Increase in other current liabilities	6,413,454	3,248,406
Decrease in other non-current liabilities	(36,870)	(22,732)
<b>Total changes in operating liabilities</b>	<b>(16,595,726)</b>	<b>38,238,518</b>
<b>Net changes in operating assets and liabilities</b>	<b>(105,526)</b>	<b>(37,932,815)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(2,201,450)</b>	<b>(35,856,543)</b>
<b>Cash inflow (outflow) used in operations</b>	<b>1,719,881</b>	<b>(31,872,745)</b>
Interest received	96,921	103,240
Dividends received	775,051	523,960
Interest paid	(2,986,287)	(1,611,117)
Income taxes paid	(13,542)	(1,500,472)
<b>Net cash flows used in operating activities</b>	<b>(407,976)</b>	<b>(34,357,134)</b>
<b>Cash flows generated from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(150,152)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	13,630	-
Return of financial assets at fair value through other comprehensive income	37,045	-
Acquisition of financial assets at fair value through profit or loss	(301,135)	-
Proceeds from disposal of financial assets at fair value through profit or loss	351,289	-
Decrease in other receivable - related parties	522,340	3,109,048
Acquisition of available - for - sale financial assets	-	(723,731)
Proceeds from disposal of available-for-sale financial assets	-	292,377
Acquisition of financial assets carried at cost	-	(186,788)
Return of capital of financial assets carried at cost	-	28,366
Addition to equity - accounted investees	(6,765,306)	(1,404,757)
Proceeds from disposal of equity - accounted investees	13,812	111,681
Proceeds from capital reduction of investments accounted for using equity method	586,316	1,813,038
Acquisition of property, plant and equipment	(397,159)	(283,830)
Proceeds from disposal of property, plant and equipment	158,136	105,839
Increase in intangible assets	(316,343)	(113,097)
Increase in other non-current assets	(85,975)	(48,580)
<b>Net cash flows generated from (used in) investing activities</b>	<b>(6,333,502)</b>	<b>2,699,566</b>
<b>Cash flows generated from (used in) financing activities:</b>		
Increase in short-term loans	484,141,756	447,252,812
Repayments of short-term loans	(498,807,490)	(414,408,568)
Increase in long-term loans	16,158,205	10,872,489
Repayments of long-term loans	(10,313,335)	(15,014,093)
Increase (decrease) in guarantee deposits received	327,554	(269,207)
Cash dividends paid	(3,208,199)	(3,040,820)
Treasury shares transferred to employees	761,447	773,958
<b>Net cash flows generated from (used in) financing activities</b>	<b>(10,940,062)</b>	<b>26,166,571</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(17,681,540)</b>	<b>(5,490,997)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>32,925,845</b>	<b>38,416,842</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 15,244,305</b>	<b>32,925,845</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
**WISTRON CORPORATION**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

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

The Company is currently engaged in the research, development, design, manufacturing, testing and sale of the following products and semi-finished products, and their peripheral equipment, parts and components:

- (i) desktop computers, notebook computers, motherboards, servers, system platforms, high-speed and multi-function multiple-CPU computer systems, multi-media computers, network computers, consumer-type computers and special computers, micro-processors, CD-ROMs, PDAs, panel PCs, pocket computers and interface cards;
- (ii) video and internet telephones, video conferencing equipment and telecommunication equipment;
- (iii) digital satellite TV receivers, set-top boxes, digital video decoders and multi-media appliance products;
- (iv) digital cameras, CD-ROM drives and DVD-ROM drives;
- (v) wireless receiver products (mobile phones, wireless LAN cards, and Bluetooth communication modules);
- (vi) LCD TVs and other electronic audio & visual products;
- (vii) design and merchandising of computer software and programs;
- (viii) import and export trade relevant to the business of this company;
- (ix) maintenance and cleaning of electronics products;
- (x) recycling of electronic waste;
- (xi) in vitro diagnostic device, physiological signal diagnostic device and medical data system;
- (xii) manufacturing, processing and selling of electronic products for automobile.

**(2) Approval date and procedures of the financial statements**

The parent company only financial statements were authorized for issuance by the Board of Directors on March 25, 2019.

(Continued)



**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sales of products, revenue is currently recognized based on the individual terms of each sales agreement when (i) related risks and rewards of ownership are transferred (ii) sales and costs can be measured reliably and their recoverability is probable (iii) and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control over the goods. The Company assessed that the point at which the risks and rewards of ownership transfer is when the control of the promised goods and services are transferred to the customers.

The Company provides warranties for different categories of products. The warranty provision is currently estimated based on the probability of repair or replacement of the products. Under IFRS 15, the warranties are identified as assurance-type warranties and service-type warranties. If the Company provide the service-type warranties, that warranties should be accounted for as a separate performance obligation.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's parent company only financial statements:

Impacted line items on the balance sheet	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Provisions	\$ 1,219,899	(1,219,899)	-	1,749,862	(1,749,862)	-
Current contract liabilities	-	1,219,899	1,219,899	-	1,749,862	1,749,862
Other current liabilities	4,917,958	(4,917,958)	-	3,897,638	(3,897,638)	-
Current refund liability	-	4,917,958	4,917,958	-	3,897,638	3,897,638
<b>Impact on liabilities</b>		<b>\$ -</b>			<b>-</b>	

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

Impacted line items on the statement of cash flows	For the year ended December 31, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
<b>Cash flows from operating activities:</b>			
<b>Adjustments:</b>			
Provisions	\$ (529,963)	529,963	-
Current contract liabilities	-	(529,963)	(529,963)
Other current liabilities	1,020,320	(1,020,320)	-
Current refund liability	-	<u>1,020,320</u>	1,020,320
<b>Impact on net cash flows from (used in) operating activities</b>		<u>\$ -</u>	

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments and impairment.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see Note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

#### 2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see Note 4(f).

#### 3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

#### 4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables	\$ 32,925,845	Amortized cost	32,925,845
Notes and accounts receivables	Loans and receivables	239,472,831	Amortized cost	239,472,831
Notes and accounts receivables	Loans and receivables	6,666,248	Fair value through other comprehensive income	6,666,248
Derivative instruments	Held-for-trading	10,112	Mandatorily measured at fair value through profit or loss	10,112

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Other financial assets	Available-for-sale	200,682	Mandatorily measured at fair value through profit or loss	200,682
	Financial assets carried at cost	686,626	Mandatorily measured at fair value through profit or loss	474,443
	Available-for-sale	2,114,393	Fair value through other comprehensive income	2,114,393
	Financial assets carried at cost	649,862	Fair value through other comprehensive income	631,333
Other non-current assets (Refundable deposits and restricted deposits)	Loans and receivables	56,903	Amortized cost	56,903

The following tables reconcile the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity	Note
<b>Fair value through profit or loss</b>							
Beginning balance of FVTPL (IAS 39)	\$ 10,112	-	-	-	-	-	
Additions:							
From available-for-sale	-	200,682	-	-	682	(682)	(Note 1)
From financial assets carried at cost	-	686,626	(212,183)	-	(212,183)	-	(Note 2)
Total	<u>\$ 10,112</u>	<u>887,308</u>	<u>(212,183)</u>	<u>685,237</u>	<u>(211,501)</u>	<u>(682)</u>	
<b>Fair value through other comprehensive income</b>							
Beginning balance of available-for-sale (IAS 39)	\$ 2,114,393	(2,114,393)	-	-	-	-	
Beginning balance of financial assets carried at cost (IAS 39)	649,862	(649,862)	-	-	-	-	
Addition:							
Available-for-sale reclassified to FVOCI	-	2,114,393	-	-	401,112	(364,458)	
Financial assets carried at cost reclassified to FVOCI	-	649,862	(18,529)	-	77,500	(88,838)	
Total	<u>\$ 2,764,255</u>	<u>-</u>	<u>(18,529)</u>	<u>2,745,726</u>	<u>478,612</u>	<u>(453,296)</u>	(Note 3)
	<u>2017.12.31 IAS 39 Carrying Amount</u>	<u>Reclassifications</u>	<u>2018.1.1 IFRS 9 Carrying Amount</u>	<u>2018.1.1 Retained earnings</u>	<u>2018.1.1 Other equity</u>		
Equity - accounted investees	<u>\$ 66,525,303</u>	<u>27,384</u>	<u>66,552,687</u>	<u>374,006</u>	<u>(346,622)</u>		

(Note 1): Under IAS 39, these financial securities were categorized as available-for-sale because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as measured at FVTPL under IFRS 9. Accordingly, an increase of \$682 in retained earnings and a decrease of \$682 in other equity were recognized on January 1, 2018, respectively.

(Note 2): Under IAS 39, these financial securities were categorized as carried at cost. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as mandatorily measured at FVTPL. A decrease of \$212,183 in both mandatorily measured at fair value through profit or loss and retained earnings were recognized on January 1, 2018.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(Note 3): These equity securities (including available-for-sale and financial assets carried at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$478,612 in retained earnings and a decrease of \$453,296 in other equity were recognized on January 1, 2018, respectively.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(aa).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- determine the lease term by the measurement based on the projected status at the date of initial application to measure the lease liabilities.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

- 3) The material impact identified is that the Company will have to recognize the additional right-of-use assets and lease liabilities for its offices, factories, dormitories and warehouses which were currently accounted for under the operating leases. The aforementioned impact would lead to the increase in right-of-use assets and lease liabilities by \$464,171 and \$463,845, respectively, and also an increase in retained earnings by \$326. The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the maximum leverage threshold in the loan covenant.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Until the issuance date of the parent-company-only financial statements, the Company is evaluating the impact on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

#### (4) Summary of significant accounting policies

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

- (a) Statement of compliance

These parent company only financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the “Regulations”).

(Continued)



**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss;
- 2) Financial assets measured at fair value through other comprehensive income;
- 3) Available-for-sale financial assets are measured at fair value;
- 4) The defined benefit liability is recognized as the present value of the defined benefit obligation less the net value of plan assets.

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

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

- Fair value through other comprehensive income (Available-for-sale) equity investment;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(ii) Foreign operations

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

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

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

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

The entity shall classify an asset as current when:

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

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

The entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial Instruments

(i) Financial assets (policy applicable from January 1, 2018)

1) Classification of financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

A) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss.

B) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

#### C) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

#### 2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable and guarantee deposits), debt investments measured at FVOCI, accounts receivable measured at FVOCI and contract assets.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. The Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed; both qualitative and quantitative information and also basing on the Company's historical experiences. For the financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

#### (ii) Financial assets (policy applicable before January 1, 2018)

##### 1) Classification of financial assets

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

##### A) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value subsequently and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, and are accounted for under other income.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

B) Available-for sale financial assets

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

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

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

C) Loans and receivables

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

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

2) Impairment of financial assets

Except for financial assets at fair value through profit or loss financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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

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

#### 3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(iii) Financial liabilities

1) Classification of debt or equity

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

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

Interest related to the financial liability is recognized in profit or loss, and included in finance costs.

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

A) Financial liabilities at fair value through profit or loss

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

B) Other financial liabilities

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

2) Derecognition of financial liabilities

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

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)



## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

(v) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in other gains and losses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the standard cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control over their financial and operating policies.

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

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

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

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

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

The Company shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Company shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company shall continue to apply the equity method without remeasuring the retained interest.

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

(i) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

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

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(j) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently, at cost, less, accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value, which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes, such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

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

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

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

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

- 1) Buildings and improvements: 20 to 50 years
- 2) Machinery and equipment: 3 to 10 years
- 3) Molding equipment: 1 year
- 4) Research and development equipment: 3 to 5 years
- 5) Furniture, fixtures and other equipment: 3 to 10 years

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

(iv) Reclassify to investment property

The property is reclassified to investment property as its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Lease

(i) Lessor

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

(ii) Lessee

Leases are for operating leases and are not recognized in the Company's balance sheets.

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

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

(m) Intangible assets

(i) Goodwill

Goodwill is recognized when the purchase price exceeds the fair value of identifiable net assets acquired in a business combination. Goodwill is measured at cost less accumulated impairment losses.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

Investor-level goodwill is included in the carrying amounts of the equity investments. The impairment losses for the goodwill within the equity-accounted investees are accounted for as deductions of carrying amounts of investments in equity-accounted investees.

(ii) Other Intangible Assets

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

(iii) Subsequent Expenditure

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

(iv) Amortization

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

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

- 1) Patents: 3 to 10 years
- 2) Software: 3 to 10 years
- 3) Customer relationships: 5 years

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

(n) Impairment-Non-derivative financial assets

The carrying amounts of the company's non-financial assets, other than assets arising from inventories, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

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

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

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

(o) Provisions

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

(p) Treasury shares

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

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

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(q) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

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

1) Sale of goods

The Company manufactures and sells electronic products to international brand customers. The Company recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the related risk and rewards of ownership are transferred, and there is no continuing management involvement with the goods. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Company provides customers with the extended warranty. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Company would sell the product and the extended warranty separately in similar circumstances and to similar customers. The Company recognizes revenue for the service-type warranty on a straight-line basis over the extended warranty period.

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

2) Service revenue

The Company renders repair service. The Company will recognize the revenue when the performance obligation completed.

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

3) Financing components

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

(ii) Revenue (applicable before January 1, 2018)

1) Goods sold

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

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

2) Services

The Company renders repair services to its customer. Revenue from services provided is recognized in the stage of completion of the transaction.

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefit obligation are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Share-based payment

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

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

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

The grant date of share-based payment is the date that the subscription price and shares are authorized by the Board of Directors.

(t) **Income Taxes**

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

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

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

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

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

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

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

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

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

(u) Earnings per share

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

(v) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statement.

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

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

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

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

(a) Provision of sales return and allowance

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

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of the inventory is mainly determined basing on the demand of products in the future. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(h) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash on hand	\$ 16,108	17,391
Demand and check deposits	13,745,018	28,441,710
Time deposits	1,483,179	4,466,744
	<b><u>\$ 15,244,305</u></b>	<b><u>32,925,845</u></b>

(b) Current financial assets and liabilities at fair value through profit or loss

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	\$ 11,755	-
Foreign currency forward contracts	2,048	-
Non-derivative financial assets		
Money market fund	50,105	-
Financial assets held-for-trading:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	-	5,022
Foreign currency forward contracts	-	5,090
	<b><u>\$ 63,908</u></b>	<b><u>10,112</u></b>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Financial liabilities at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign currency swap contracts	\$ 63,029	155,196
Foreign currency forward contracts	11,307	62,999
	<b>\$ 74,336</b>	<b>218,195</b>

The Company uses derivative financial instruments to hedge the certain foreign exchange risk the Company is exposed to, arising from its operating, financing and investing activities. As of December 31, 2018 and 2017, derivative financial instruments not qualified for hedge accounting were as follows:

- 1) Foreign currency swap contracts:

<b>December 31, 2018</b>		<b>December 31, 2017</b>	
<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Amount (in thousands)</b>	<b>Currency</b>
<b>EUR 6,000</b>	EUR Put / USD Call	<b>EUR 18,500</b>	EUR Put / USD Call
<b>USD 1,070,000</b>	TWD Put / USD Call	<b>USD 1,116,000</b>	TWD Put / USD Call

- 2) Foreign currency forward contracts:

<b>December 31, 2018</b>		<b>December 31, 2017</b>	
<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Amount (in thousands)</b>	<b>Currency</b>
<b>USD 222,000</b>	TWD Put / USD Call	<b>USD 400,000</b>	TWD Put / USD Call

- (iii) Non-current financial assets at fair value through profit or loss:

	<b>December 31, 2018</b>
Mandatorily measured at fair value through profit or loss:	
Non-derivative financial assets	
Convertible bonds	<b>\$ 382,766</b>

Please refer to Note 6(v) for the measurement of fair value recognized in profit or loss.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

- (c) Non-current financial asset at fair value through other comprehensive income

	<b>December 31, 2018</b>
Equity investments at fair value through other comprehensive income:	
Listed companies	\$ 1,380,609
Unlisted companies	221,456
Unlisted fund	917,120
<b>Total</b>	<b>\$ 2,519,185</b>

- (i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and financial assets carried at cost on December 31, 2017.

The Company has sold its shares held in Jafco Asia Technology Fund III, Jafco Asia Technology Fund IV, Gamania, Xplore Technologies Corp. FineMat Applied Materials Co., Ltd. and Applied BioCode, Inc. in 2018, with the fair value of \$13,630. The Company recognized a net loss of \$122,127, which was accounted for as other comprehensive income. The loss has been transferred to retained earnings.

- (ii) For market risk, please refer to Note 6(x).  
 (iii) The aforementioned financial assets were not pledged as collateral.

- (d) Available-for-sale financial assets

	<b>December 31, 2017</b>
Current:	
Money market fund	\$ 200,682
Non-current:	
Listed companies	\$ 1,848,547
Unlisted companies	265,846
	<b>\$ 2,114,393</b>

- (i) These investments were classified as non-current financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on December 31, 2018; please refer to Notes 6(b) and 6(c).  
 (ii) For market risk, please refer to Note 6(x).

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(iii) As of December 31, 2017, the financial assets were not pledged.

(e) Non-current financial assets carried at cost

	<b>December 31, 2017</b>
Unlisted company	\$ 60,000
Unlisted fund	589,862
Others	686,626
	<b>\$ 1,336,488</b>

(i) Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, less impairment loss, and are accounted for under financial assets carried at cost as of December 31, 2017. These investments were classified as financial assets at fair value through other comprehensive income or at fair value through profit or loss on December 31, 2018.

(ii) The above financial assets were not pledged as collateral.

(f) Notes and accounts receivable

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Notes receivable measured at amortized cost	\$ 147	66
Accounts receivable - measured at amortized cost	66,518,531	49,149,675
Accounts receivable - measured at FVOCI	4,556,336	-
Accounts receivable - related parties - measured at amortized cost	160,521,861	197,757,475
Less: loss allowance	(582,288)	(768,137)
	<b>\$ 231,014,587</b>	<b>246,139,079</b>

The Company has managed a portion of its accounts receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income on January 1, 2018.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

The Company applies the simplified approach to provide for expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	<b>Gross carrying amount</b>	<b>Weighted - average expected loss rate</b>	<b>Expected credit loss</b>
Current	\$ 221,517,944	0%~0.00038%	90
1 to 60 days past due	7,055,728	0%~2.34%	4,350
61 to 120 days past due	2,437,137	0%~7.26%	21
121 to 180 days past due	8,183	0%	-
181 to 240 days past due	1,173	0%	-
241 to 300 days past due	748	0%~4.348%	-
More than 301 days past due	<u>575,962</u>	13.04%~100%	<u>575,962</u>
Total	<u>\$ 231,596,875</u>		<u>580,423</u>

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, and accounts receivable - related parties which were past due but not impaired, were as follows:

	<b>December 31, 2017</b>
Past due 0~30 days	\$ 3,418,517
Past due 31~60 days	3,276,373
Past due 61~90 days	824,620
Past due 91~120 days	9,842
Past due over 120 days	<u>3,051</u>
	<u>\$ 7,532,403</u>

(Continued)



**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

The movement in the allowance for notes and accounts receivable were as follows:

	<u>January 1 to December, 2018</u>	<u>January 1 to December, 2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, per IAS 39	768,137	612,371	198,895
Adjustment on initial application of IFRS 9	-		
Balance on January 1, per IFRS 9	768,137		
Impairment losses recognized (reversed)	11,882	(43,552)	457
Written off unrecoverable amount	-	(34)	-
Reclassification	(197,731)	-	-
Balance on December 31	<u>\$ 582,288</u>	<u>568,785</u>	<u>199,352</u>

As of December 31, 2018 and 2017, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

<u>December 31, 2018</u>					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>1,903,380</u>	<u>3,468,675</u> (note)	<u>1,744,982</u>	<u>691,000</u> (note)	Without recourse	<u>1,812,582</u>
<u>December 31, 2017</u>					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>2,338,059</u>	<u>4,322,579</u> (note)	<u>2,260,823</u>	<u>691,000</u> (note)	Without recourse	<u>2,302,086</u>

(note) : the factoring credit limit belongs to the Company and its subsidiaries.

The above mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable was transferred. As of December 31, 2018 and 2017, included among the factored accounts receivable were accounts receivable of \$2,077,552 and \$1,231,609, respectively, which were yet to be factored by banks since the ownership and the significant risks were not transferred, therefore, they were included in "Other current assets" in the accompanying balance sheets.

For the years ended December 31, 2018 and 2017, the average annual interest rates on factored accounts receivable were 2.04%~3.81% and 1.38%~2.96%, respectively.

As of December 31, 2018 and 2017, the notes and accounts receivable were not pledged.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

## (g) Other receivables

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other current assets receivables	\$ 12,436,849	8,884,287
Other receivable – related parties	410,814	770,872
Less: loss allowance	<u>(197,731)</u>	<u>-</u>
	<b><u>\$ 12,649,932</u></b>	<b><u>9,655,159</u></b>

As of December 31, 2018, the Company recognized its expected credit loss of \$197,731. The aging analysis of other receivable which were past due not impaired, as of December 31, 2017, were as follows:

	<b>December 31, 2017</b>
Past due over 120 days.	<b><u>\$ 197,731</u></b>

## (h) Inventories

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 1,452,534	489,972
Work in progress	143,208	54,621
Finished goods	4,534,974	9,842,623
Inventory in transit	<u>6,182,210</u>	<u>6,856,822</u>
	<b><u>\$ 12,312,926</u></b>	<b><u>17,244,038</u></b>

For the years ended December 31, 2018 and 2017, the details of cost of sales were as follows:

	<b>January 1 to December, 2018</b>	<b>January 1 to December, 2017</b>
Cost of goods sold	\$ 734,868,832	745,489,818
Loss on valuation of inventories	140,276	149,870
Income from sale of scraps	<u>(32,395)</u>	<u>(36,622)</u>
	<b><u>\$ 734,976,713</u></b>	<b><u>745,603,066</u></b>

As of December 31, 2018 and 2017, the inventories were not pledged.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(i) Equity-accounted investees

As of December 31, 2018 and 2017, the components of investments accounted for using the equity method were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 74,339,880	62,236,758
Associates	<u>4,612,071</u>	<u>4,288,545</u>
	<u><u>\$ 78,951,951</u></u>	<u><u>66,525,303</u></u>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2018.

(ii) Associates

- 1) As of December 31, 2018 and 2017, the fair value of investments in associates of the Company for which there are public price quotations were as follows:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
WNC	\$ 3,771,052	7,165,007	3,420,511	7,527,095
Formosa Prosonic Industries Berhad	<u>465,872</u>	<u>860,237</u>	<u>421,313</u>	<u>876,216</u>
	<u><u>\$ 4,236,924</u></u>	<u><u>8,025,244</u></u>	<u><u>3,841,824</u></u>	<u><u>8,403,311</u></u>

- 2) For the years ended December 31, 2018 and 2017, the share of profits and other comprehensive income of associates recognized by the Company was as follows:

	<u>2018</u>	<u>2017</u>
Attributable to the Company:		
Net profit	\$ 472,763	467,441
Other comprehensive income	<u>40,631</u>	<u>27,365</u>
Comprehensive income	<u><u>\$ 513,394</u></u>	<u><u>494,806</u></u>

- 3) The financial information for associates was summarized as follows (before being adjusted to the Company's proportionate share):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total assets	<u><u>\$ 40,560,370</u></u>	<u><u>35,838,866</u></u>
Total liabilities	<u><u>\$ 21,620,224</u></u>	<u><u>18,352,809</u></u>
	<u>2018</u>	<u>2017</u>
Revenue	<u><u>\$ 63,157,938</u></u>	<u><u>62,370,792</u></u>
Profit	<u><u>\$ 1,894,971</u></u>	<u><u>1,965,904</u></u>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(iii) Collateral

As of December 31, 2018 and 2017 the investments in aforementioned equity-accounted investees were not pledged as collateral.

(j) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Building and improvements</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Research and development equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2018	\$ 2,810,384	2,269,492	621,589	12,769,953	2,126,550	921,216	686,093	22,205,277
Additions	-	4,321	13,328	5,394	96,241	31,742	246,133	397,159
Reclassification	-	1,995	12,932	47,139	9,003	1,491	4,016	76,576
Reclassified to expense	-	-	-	-	(329)	(694)	-	(1,023)
Disposals	-	(62,937)	(4,505)	(857,955)	(1,919)	(86,792)	(423,641)	(1,437,749)
Balance at December 31, 2018	<u>\$ 2,810,384</u>	<u>2,212,871</u>	<u>643,344</u>	<u>11,964,531</u>	<u>2,229,546</u>	<u>866,963</u>	<u>512,601</u>	<u>21,240,240</u>
Balance at January 1, 2017	\$ 2,810,384	2,265,821	648,512	12,739,981	2,016,655	933,952	673,013	22,088,318
Additions	-	3,671	6,561	21,859	112,782	20,783	118,174	283,830
Reclassification (Note)	-	-	1,537	195,606	387	4,890	615	203,035
Reclassified to expense	-	-	-	-	(7)	-	-	(7)
Disposals	-	-	(35,021)	(187,493)	(3,267)	(38,409)	(105,709)	(369,899)
Balance at December 31, 2017	<u>\$ 2,810,384</u>	<u>2,269,492</u>	<u>621,589</u>	<u>12,769,953</u>	<u>2,126,550</u>	<u>921,216</u>	<u>686,093</u>	<u>22,205,277</u>
Accumulated depreciation:								
Balance at January 1, 2018	\$ -	731,268	608,920	12,681,339	1,872,017	861,965	628,391	17,383,900
Depreciation	-	63,550	7,181	115,309	133,531	32,667	36,414	388,652
Disposals	-	(62,936)	(4,505)	(857,955)	(1,919)	(86,786)	(265,951)	(1,280,052)
Balance at December 31, 2018	<u>\$ -</u>	<u>731,882</u>	<u>611,596</u>	<u>11,938,693</u>	<u>2,003,629</u>	<u>807,846</u>	<u>398,854</u>	<u>16,492,500</u>
Balance at January 1, 2017	\$ -	657,502	638,240	12,151,308	1,667,778	848,695	595,842	16,559,365
Depreciation	-	73,766	5,671	714,213	207,293	51,226	36,848	1,089,017
Disposals	-	-	(34,991)	(184,182)	(3,054)	(37,956)	(4,299)	(264,482)
Balance at December 31, 2017	<u>\$ -</u>	<u>731,268</u>	<u>608,920</u>	<u>12,681,339</u>	<u>1,872,017</u>	<u>861,965</u>	<u>628,391</u>	<u>17,383,900</u>
Carrying value:								
Balance at December 31, 2018	<u>\$ 2,810,384</u>	<u>1,480,989</u>	<u>31,748</u>	<u>25,838</u>	<u>225,917</u>	<u>59,117</u>	<u>113,747</u>	<u>4,747,740</u>
Balance at December 31, 2017	<u>\$ 2,810,384</u>	<u>1,538,224</u>	<u>12,669</u>	<u>88,614</u>	<u>254,533</u>	<u>59,251</u>	<u>57,702</u>	<u>4,821,377</u>
Balance at January 1, 2017	<u>\$ 2,810,384</u>	<u>1,608,319</u>	<u>10,272</u>	<u>588,673</u>	<u>348,877</u>	<u>85,257</u>	<u>77,171</u>	<u>5,528,953</u>

(Note) : The reclassifications are mainly transferring from other non-current assets-advance payment for equipment.

As of December 31, 2018 and 2017, the property, plant and equipment were not pledged as collateral.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(k) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>Patent</u>	<u>Software</u>	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
Costs:					
Balance at January 1, 2018	\$ 952,561	2,072,033	561,485	264,800	3,850,879
Additions	-	316,343	-	-	316,343
Disposals	(6,249)	(1,801,262)	-	-	(1,807,511)
Balance at December 31, 2018	<u>\$ 946,312</u>	<u>587,114</u>	<u>561,485</u>	<u>264,800</u>	<u>2,359,711</u>
Balance at January 1, 2017	\$ 952,561	1,958,936	561,485	264,800	3,737,782
Additions	-	113,097	-	-	113,097
Balance at December 31, 2017	<u>\$ 952,561</u>	<u>2,072,033</u>	<u>561,485</u>	<u>264,800</u>	<u>3,850,879</u>
Accumulated amortization:					
Balance at January 1, 2018	\$ 815,789	1,872,835	-	264,800	2,953,424
Amortization	56,667	215,633	-	-	272,300
Disposals	(6,249)	(1,801,262)	-	-	(1,807,511)
Balance at December 31, 2018	<u>\$ 866,207</u>	<u>287,206</u>	<u>-</u>	<u>264,800</u>	<u>1,418,213</u>
Balance at January 1, 2017	\$ 739,921	1,674,186	-	264,800	2,678,907
Amortization	75,868	198,649	-	-	274,517
Balance at December 31, 2017	<u>\$ 815,789</u>	<u>1,872,835</u>	<u>-</u>	<u>264,800</u>	<u>2,953,424</u>
Carrying value :					
Balance at December 31, 2018	<u>\$ 80,105</u>	<u>299,908</u>	<u>561,485</u>	<u>-</u>	<u>941,498</u>
Balance at December 31, 2017	<u>\$ 136,772</u>	<u>199,198</u>	<u>561,485</u>	<u>-</u>	<u>897,455</u>
Balance at January 1, 2017	<u>\$ 212,640</u>	<u>284,750</u>	<u>561,485</u>	<u>-</u>	<u>1,058,875</u>

(i) Impairment testing for goodwill

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

The carrying amounts of goodwill were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Developing and manufacturing services cash-generating units	<u>\$ 561,485</u>	<u>561,485</u>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

- 2) The recoverable amount of developing and manufacturing services cash-generating units (CGU) was based on its value-in-use, determining by discounting the future cash flows to be generated from the continuing use of the CGU. The key assumptions used in the estimation of the value in use were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue growth rate	15 %	20 %
After-tax discount rate	4.76 %	5.68 %

The key assumptions represents the management's evaluation of the future industry trends, and of which, the external, internal and also historical information, were considered. There was no impairment occurred as of December 31, 2018 and 2017.

- (ii) As of December 31, 2018 and 2017, the intangible assets were not pledged as collateral.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
(i) Other current assets:		
Other receivables, net	\$ 12,239,118	8,884,287
Prepaid royalties	349,859	513,096
Other prepayments	371,444	172,796
Others	<u>2,575</u>	<u>127</u>
	<u>\$ 12,962,996</u>	<u>9,570,306</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
(ii) Other non-current assets:		
Advance payment for equipment	\$ 13,444	15,522
Investment property	178,814	182,559
Others	<u>65,982</u>	<u>56,903</u>
	<u>\$ 258,240</u>	<u>254,984</u>

The cost and accumulated depreciation of investment property for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Building and improvements</u>	<u>Total</u>
Cost:			
Balance at January 1, 2018	\$ 51,477	185,708	237,185
Balance at December 31, 2018	<u>\$ 51,477</u>	<u>185,708</u>	<u>237,185</u>
Balance at January 1, 2017	\$ 51,477	185,708	237,185
Balance at December 31, 2017	<u>\$ 51,477</u>	<u>185,708</u>	<u>237,185</u>

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**WISTRON CORPORATION**  
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	<u>Land</u>	<u>Building and improvements</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2018	\$ -	54,626	54,626
Depreciation	-	3,745	3,745
Balance at December 31, 2018	<u>\$ -</u>	<u>58,371</u>	<u>58,371</u>
Balance at January 1, 2017	\$ -	50,881	50,881
Depreciation	-	3,745	3,745
Balance at December 31, 2017	<u>\$ -</u>	<u>54,626</u>	<u>54,626</u>
Carrying amount :			
Balance at December 31, 2018	<u>\$ 51,477</u>	<u>127,337</u>	<u>178,814</u>
Balance at December 31, 2017	<u>\$ 51,477</u>	<u>131,082</u>	<u>182,559</u>
Balance at January 1, 2017	<u>\$ 51,477</u>	<u>134,827</u>	<u>186,304</u>

Rental income and direct operating expenses arising from investment property that generate rental income were as follows:

	<u>2018</u>	<u>2017</u>
Rent income	<u>\$ 28,971</u>	<u>48,000</u>
Direct operating expense arising from investment property that generates rental income	<u>\$ 3,745</u>	<u>3,745</u>

The fair value of the investment property was measured as the cash flows the Company expected to receive, and which was discounted with a particular interest rate to reflect the market price. The yields applied to the net annual rentals used to determine the fair value of properties was 0.3% for the years ended December 31, 2018 and 2017.

As of December 31, 2018 and 2017, the investments property were not pledged as collateral.

(m) Bank loans

(i) Short-term loans

	<u>December 31, 2018</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank loans	USD	2.85%~3.46%	2019/1/2~2019/2/24	\$ 34,299,269
Unsecured bank loans	JPY	0.69%	2019/1/10	131,904
Unsecured bank loans	EUR	0.69%	2019/1/24	3,514
Total				<u>\$ 34,434,687</u>
Unused credit line				<u>\$ 61,168,558</u>

(Continued)

**WISTRON CORPORATION**  
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December 31, 2017				
Unsecured bank loans	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.74%~2.50%	2018/1/2~2018/5/23	\$ 49,067,944
Unsecured bank loans	JPY	0.67%	2018/1/15	32,477
Total				<u>\$ 49,100,421</u>
Unused credit line				<u>\$ 46,523,327</u>

## (ii) Long-term loans

December 31, 2018				
Unsecured bank loans	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	3.59%~3.64%	2021/5/23	\$ 14,712,146
Unused credit line				<u>\$ 13,693,200</u>

December 31, 2017				
Unsecured bank loans	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.89%~2.74%	2018/9/22~2019/1/26	\$ 8,792,276
Unsecured bank loans	TWD	1.15%	2018/3/26	75,000
Subtotal				8,867,276
Less: current portion				<u>(8,133,960)</u>
Total				<u>\$ 733,316</u>
Unused credit line				<u>\$ 2,230,744</u>

## (iii) Breach of covenant

According to the Company's credit loan facility agreement with the banks, during the credit term, the Company is committed to maintain the financial ratios. If a breach of covenant occur, the Company's credit facility is immediately restricted. And without the consent of authorized banks, the credit facility is no longer available for the Company. The Company was in compliance with the above financial covenants as of December 31, 2018 and 2017.

(iv) The interest expenses for long-term and short-term loans for the years end December 31, 2018 and 2017, were disclosed in Note 6(v).

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

## (n) Provisions

## (i) Provisions for warranty

Provisions for warranty	<u><u>\$ 1,749,862</u></u>
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(Continued)



**WISTRON CORPORATION**  
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	<b>2017</b>
Balance at January 1	\$ 2,090,668
Provision made	1,314,708
Provision used	(1,655,514)
Effect of changes in foreign exchange rates	-
Balance at December 31	<u><u>1,749,862</u></u>

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

(ii) Provision of sales return and allowance

	<b>December 31,</b>
	<b>2017</b>
Other current liabilities-Provision of sales return and allowance	\$ <u><u>3,897,638</u></u>
	<b>2017</b>
Balance at January 1	\$ 4,918,511
Accrual	789,915
Payment	(1,810,788)
Balance at December 31	\$ <u><u>3,897,638</u></u>

(o) Operating leases

(i) Lessee

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

	<b>December 31,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
Less than one year	\$ 170,571	129,300
Between one to five years	247,754	233,615
More than five years	42,851	45,671
	<u><u>\$ 461,176</u></u>	<u><u>408,586</u></u>

The Company leases the a number of offices, warehouses and facilities under operating leases. The leases typically run for a period of 1 to 12 years.

For the years ended December 31, 2018 and 2017 , expenses recognized in profit or loss in respect of operating leases, were \$172,819 and \$158,169, respectively.

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**WISTRON CORPORATION**  
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(ii) Lessor

The Company leases a number of offices, factories and facilities under operating leases. The leases typically run for a year. For the years ended December 31, 2018 and 2017 rental income recognized in profit or loss, were \$61,186 and \$76,100, respectively. The future minimum income under non-cancellable lease are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 15,750	23,335
Between one to five years	5,040	5,370
More than five years	<u>10,500</u>	<u>11,760</u>
	<b><u>\$ 31,290</u></b>	<b><u>40,465</u></b>

(p) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Present value of defined benefit obligations	\$ 2,039,321	1,913,917
Fair value of plan assets	<u>(920,452)</u>	<u>(918,826)</u>
Net defined benefit liabilities	<b><u>\$ 1,118,869</u></b>	<b><u>995,091</u></b>

The Company makes defined benefit plans contributions to the pension fund accounts to Bank of Taiwan and Taipei Fubon commercial bank that provide pension for employees upon caan annual payment equal to the average salary based on years or service and six months prior to retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance in Bank of Taiwan and Taipei Fubon commercial bank amounted to and \$920,452 and \$918,826 as of December 31, 2018 and 2017. The utilization of the labor pension fund assets of the domestic entities of the Company includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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**WISTRON CORPORATION**  
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2) The movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ 1,913,917	1,864,499
Current service cost and interests	42,361	50,512
Benefit paid by the Company	(16,234)	(906)
Benefit paid by the plan	(78,882)	(57,484)
Effect of employee transfer	(29)	(9,857)
Net remeasurements of defined benefit liabilities		
-Actuarial losses(gain) arising from changes in financial assumptions	59,846	(60,315)
-Experience adjustments	<u>118,342</u>	<u>127,468</u>
Balance at December 31	<u>\$ 2,039,321</u>	<u>1,913,917</u>

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

The movements in the fair value of an employee benefit plan assets for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 918,826	906,219
Contribution from plan participants	48,214	62,222
Benefit paid by the plan	(78,882)	(57,484)
Expected return on plan assets	14,754	12,454
Net remeasurements of defined benefit liabilities		
-Return on plan assets	<u>17,540</u>	<u>(4,585)</u>
Balance at December 31	<u>\$ 920,452</u>	<u>918,826</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follow:

	<u>2018</u>	<u>2017</u>
Current service cost	\$ 11,746	25,135
Net interest on the net defined benefit liabilities	30,615	25,377
Net remeasurements of defined benefit asset		
-Return on plan assets	17,540	(4,585)
Accrual return on plan assets	<u>(32,294)</u>	<u>(7,869)</u>
	<u>\$ 27,607</u>	<u>38,058</u>

(Continued)

**WISTRON CORPORATION**  
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	<u>2018</u>	<u>2017</u>
Cost of sales	\$ 6,099	7,188
Selling expenses	2,885	3,808
Administrative expenses	5,130	6,122
Research and development expenses	<u>13,493</u>	<u>20,940</u>
	<u>\$ 27,607</u>	<u>38,058</u>

- 5) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income

As of December 31, 2018 and 2017, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ 384,157	312,419
Recognized during the year	<u>160,648</u>	<u>71,738</u>
Balance at December 31	<u>\$ 544,805</u>	<u>384,157</u>

- 6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.375 %	1.625 %
Future salary increases	3.000 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after December 31, 2018 is \$34,674.

The weighted average lifetime of the defined benefits plans is 15.52 years.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2018		
Discount rate	\$ (59,846)	62,362
Future salary increases	60,240	(58,100)
December 31, 2017		
Discount rate	(57,872)	60,315
Future salary increases	58,418	(56,368)

(Continued)

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The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in the defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for the prior year.

(ii) Defined contribution plans

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

The Company set aside \$347,202 and \$318,520 of the pension under the pension costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017, respectively.

(q) Income Taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY2018 corporate income tax return.

(i) Income tax expense

- 1) The details of income tax expense (benefit) for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense (benefit)		
Current period	\$ 89,243	420,424
Prior-period adjustments	<u>(79,671)</u>	<u>410,013</u>
	<u>9,572</u>	<u>830,437</u>
Deferred tax benefit		
Origination and reversal of temporary difference	(1,081,459)	(732,155)
Effect on tax rate change on deferred income tax	<u>84,746</u>	<u>-</u>
	<u>(996,713)</u>	<u>(732,155)</u>
Income tax expense (benefit)	<u>\$ (987,141)</u>	<u>98,282</u>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

- 2) The amounts of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit liability	\$ (42,549)	(12,195)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	<u>(11,755)</u>	<u>-</u>
	<u><b>(54,304)</b></u>	<u><b>(12,195)</b></u>
Items that may be reclassified subsequently to profit or loss :		
Exchange differences on translation of foreign financial statements	\$ 20	(282)
Unrealized gains (losses) on available-for-sale financial assets	<u>-</u>	<u>(58,101)</u>
	<u><b>20</b></u>	<u><b>(58,383)</b></u>

- 3) The reconciliation of income tax expense (benefit) and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Profit before tax	\$ <u>3,921,331</u>	<u>3,983,798</u>
Estimated income tax calculated based on financial income before tax at the Company's statutory tax rate	784,266	677,246
Effect of tax rate changes on deferred income tax	84,746	-
Tax-exempt income	(734,949)	(526,624)
Prior-period tax adjustments	(79,671)	410,013
Change in unrecognized temporary differences	(832,989)	(454,827)
Others	<u>(208,544)</u>	<u>(7,526)</u>
	<u><b>(987,141)</b></u>	<u><b>98,282</b></u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred income tax assets and liability

- a) Unrecognized deferred income tax assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deductible temporary differences	<u><b>999,784</b></u>	<u><b>514,333</b></u>

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## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

b) Unrecognized deferred tax assets and liabilities on investment

As of December 31, 2018 and 2017, the temporary differences associated with investments in subsidiaries which not recognized as deterred income tax assets and liabilities were as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
The temporary differences associated with investment in subsidiaries (tax amount):		
Unrecognized deferred tax assets	<b>\$ <u>721,687</u></b>	<b><u>514,333</u></b>
Unrecognized deferred tax liabilities	<b>\$ <u>2,667,234</u></b>	<b><u>1,348,794</u></b>

2) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	<b>Recognized share of loss of subsidiaries and associates accounted for equity method</b>	<b>Unrealized exchange loss</b>	<b>Contract liability</b>	<b>Refund liability</b>	<b>Allowance for inventory obsolescence and accrued expense</b>	<b>Unearned revenue</b>	<b>Others</b>	<b>Total</b>
<b>Deferred tax assets:</b>								
Balance at January 1, 2018	\$ 347,741	898,163	290,962	731,613	280,821	59,629	414,334	3,023,263
Effects of retrospective application	-	-	-	-	-	-	69,574	69,574
Recognized in profit or loss	61,366	(748,346)	(209,162)	503,780	32,661	542,351	436,264	618,914
Recognized in other comprehensive income	-	-	-	-	-	-	111,104	111,104
Balance at December 31, 2018	<b>\$ <u>409,107</u></b>	<b><u>149,817</u></b>	<b><u>81,800</u></b>	<b><u>1,235,393</u></b>	<b><u>313,482</u></b>	<b><u>601,980</u></b>	<b><u>1,031,276</u></b>	<b><u>3,822,855</u></b>
Balance at January 1, 2017	\$ 331,991	51,561	355,414	998,407	279,515	72,260	422,864	2,512,012
Recognized in profit or loss	15,750	846,602	(64,452)	(266,794)	1,306	(12,631)	(78,826)	440,955
Recognized in other comprehensive income	-	-	-	-	-	-	70,296	70,296
Balance at December 31, 2017	<b>\$ <u>347,741</u></b>	<b><u>898,163</u></b>	<b><u>290,962</u></b>	<b><u>731,613</u></b>	<b><u>280,821</u></b>	<b><u>59,629</u></b>	<b><u>414,334</u></b>	<b><u>3,023,263</u></b>
<b>Deferred tax liabilities:</b>								
			<b>Other</b>	<b>Total</b>				
Balance at January 1, 2018	\$ 3,261,103		171,812	3,432,915				
Effects of retrospective application	-		25,729	25,729				
Recognized in profit or loss	(271,113)		(106,686)	(377,799)				
Recognized in other comprehensive income	-		56,820	56,820				
Balance at December 31, 2018	<b>\$ <u>2,989,990</u></b>		<b><u>147,675</u></b>	<b><u>3,137,665</u></b>				
Balance at January 1, 2017	\$ 3,633,601		90,796	3,724,397				
Recognized in profit or loss	(372,498)		81,298	(291,200)				
Recognized in other comprehensive income	-		(282)	(282)				
Balance at December 31, 2017	<b>\$ <u>3,261,103</u></b>		<b><u>171,812</u></b>	<b><u>3,432,915</u></b>				

3) The Company's tax returns for the years through 2016 were examined and approved by the Taiwan National Tax Administration.

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**Notes to the Parent Company Only Financial Statements**

(r) Capital and Other Equities

As of December 31, 2018 and 2017, the Company's authorized common stock consisted of 4,000,000,000 and 4,000,000,000 shares, respectively, with a par value of \$10 per share, of which 2,842,122,000 shares and 2,748,688,000 shares, respectively, were issued and outstanding.

(i) Capital

On April 27, 2018, the Company's Board of Directors approved a resolution to distribute the employee remuneration amounting to \$711,308, consisting of 30,140,000 shares. The application of the capital increase was approved by the Financial Supervisory Commission. The date of capital increase was resolved to be June 6, 2018 by the Board of Directors. The relevant registration procedures had been completed.

On June 14, 2018, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$802,050, consisting of 80,205,000 shares, wherein, 30 shares per thousand shares were to be distributed as stock dividend. However, the Company transferred treasury stock to its employees and retired treasury stock in July, 2018. The stock distribution had been adjusted to 29.37095 shares per thousand shares accordingly. This distribution of retained earnings was passed during Board of Directors, with August 7, 2018 as the date of capital increase. The relevant registration procedures had been completed.

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company retired the expired treasury shares amounting to \$132,547 and \$36,565 consisting of 13,255,000 shares and 3,656,000 shares of the first and second batch, respectively, repurchased by the Company in 2015. The dates of capital decrease were July 14, 2018 and November 9, 2018, respectively wherein the relevant registration procedures had been completed.

On March 20, 2017, the Company's Board of Directors approved a resolution to distribute the employee remuneration amounting to \$615,440, consisting of 23,490,000 shares. All related registration procedures had been completed.

On June 14, 2017, the Company's shareholders approve a resolution to distribute the retained earnings with the amounts of \$760,542, consisting of 76,054,000 shares, wherein, 30 shares per thousand shares are to be distributed as stock dividend. However, the Company repurchased its treasury shares and transferred its treasury stock to employees. The distribution had been changed to 29.60839 shares per thousand shares accordingly. The dividend distribution date was set on August 8, 2017, and all related registration procedures had been completed.

The Company's Board of Directors approved a resolution to retire the restricted employee shares amounting to 1,173,000 shares, with a face value of \$11,727. The recognition date for capital reduction was November 10, 2017, and all related registration procedures had been completed.

(Continued)



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(ii) Treasury Shares

- 1) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the Securities and Exchange Act. As of December 31, 2018 and 2017, the treasury shares repurchased were both 164,362,000 shares, and the shares transferred to employees were 123,089,000 shares and 83,668,000 shares, respectively. The 16,911,000 shares had been retired in July 2018 and November 2018, respectively. Therefore, the shares of treasury shares the Company hold as of December 31, 2018 and 2017 were 24,362,000 shares and 80,694,000 shares, respectively.
- 2) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10 % of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those that were not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury shares does not carry any shareholder rights until it is transferred.

(iii) Capital surplus

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000
A premium issuance of common shares for cash	20,235,635	19,959,824
Surplus arising from equity-accounted investees	755,644	241,854
Employee stock options	-	9,113
Transaction of treasury shares	4,979	-
Other	67,361	65,434
	<b><u>\$ 22,863,619</u></b>	<b><u>22,076,225</u></b>

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

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**WISTRON CORPORATION**  
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(iv) Unappropriated earnings

The Company's Articles of Incorporation provide that, when allocating the net profit for each fiscal year, the Company shall first offset its losses in previous years and then set aside the legal reserve at 10% of net profit until the accumulated legal reserve equals the Company's paid-in capital; and also set aside special capital reserve in accordance with relevant regulations by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 10% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and presented for approval in the Company's shareholders' meeting.

1) Legal reserve

According to the ROC Company Act, a company shall first set aside 10% of its net profit as legal reserve. When the balance of such legal reserve reaches an amount that is equal to the paid-in capital, the appropriation to legal reserve is discontinued. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings (which does not qualify for earnings distribution) shall be reclassified as special earnings reserve to account for the cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

On November 21, 2012, the other unearned remuneration for restricted employee shares was not accounted for as contra account of other shareholders' equity in accordance with Decree No.1010051600 issued by the Securities and Futures Bureau.

3) Dividends

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

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

#### 4) Earnings Distribution

The appropriation of 2017 and 2016 earnings that were approved at the shareholders' meeting on June 14, 2018 and June 14, 2017, respectively were as follow:

	<b>2017</b>	<b>2016</b>
Cash dividends	\$ 3,208,199	3,042,169
Stock dividends	802,050	760,542
	<b>\$ 4,010,249</b>	<b>3,802,711</b>

There was no difference between the aforementioned distribution and the amounts approved at the meeting of the Board of Directors. For further information, please refer to Market Observation Post System.

#### 5) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements			Unrealized gains (losses) on available-for-sale financial assets			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
	The Company	Subsidiaries	Associates	The Company	Subsidiaries	Associates	The Company	Subsidiaries	Associates
	Balance at January 1, 2018	\$ (2,479,762)	(92,079)	(169,124)	(932,201)	(356,969)	19,880	-	-
Effects of retrospective application				932,201	356,969	(19,880)	(1,386,178)	(600,235)	(83,477)
Balance at January 1, 2018 after adjustments	(2,479,762)	(92,079)	(169,124)	-	-	-	(1,386,178)	(600,235)	(83,477)
Foreign currency translation differences (net of tax)	1,849,257	(382,681)	(18,203)	-	-	-	-	-	-
Unrealized losses from financial assets measured at fair value through other comprehensive income.	-	-	-	-	-	-	(314,262)	(551,772)	(21,845)
Disposal of investments in equity instrument designated at fair value through other comprehensive income.	-	-	-	-	-	-	97,565	24,562	-
Balance at December 31, 2018	\$ (630,505)	(474,760)	(187,327)	-	-	-	(1,602,875)	(1,127,445)	(105,322)

	Exchange differences on translation of foreign financial statements			Unrealized gains(losses) on valuation of available-for- sale financial assets			Other unearned compensation for restricted employee shares of stock
	The Company	Subsidiaries	Associates	The Company	Subsidiaries	Associates	The Company
	Balance at January 1, 2017	\$ 1,976,367	(619,464)	(155,476)	(274,280)	(268,114)	91,094
Foreign currency translation differences (net of tax)	(4,456,129)	527,385	(13,648)	-	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	-	(657,921)	(88,855)	(71,214)	-
Other-unearned compensation for restricted employee shares of stock	-	-	-	-	-	-	113,721
Balance at December 31, 2017	\$ (2,479,762)	(92,079)	(169,124)	(932,201)	(356,969)	19,880	-

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(s) Share-based payment transactions

(i) Restricted employee shares

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

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

- 2) The number of the restricted employee shares (in thousands) for the year ended December 31, 2017 was as follows:

	<b>2017</b>
Outstanding at the beginning of year	\$ 18,776
Vested	(17,637)
Retired	(1,139)
Outstanding at the end of year	\$ -

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

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

- 4) For the year ended December 31, 2017, the accrued compensation cost for the restricted employee shares amounted to \$427,935, was accounted for under cost of sales and operating expenses.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

- 5) As the third vesting period (the fourth year from the grant date) ended in August 2017, the Company decided to retrieve its restricted employee shares for employees who failed to qualify certain requirements, as well as its cash and stock dividends generated from the above mentioned restricted employee shares. Therefore, the retrieved cash dividends amounted to \$1,349 was retired in August 2017, and the restricted employee shares of 1,139,000 shares and the stock dividends of 34,000 shares were retired in the last quarter of 2017.

(t) Earnings per share (“EPS”)

	<u>2018</u>	<u>2017</u>
Basic EPS:		
Net profit belonging to common shareholders	\$ <u>4,908,472</u>	<u>3,885,516</u>
Weighted average common stock outstanding (in thousands)	<u>2,794,207</u>	<u>2,706,364</u>
Basic EPS (in dollars)	\$ <u>1.76</u>	<u>1.44</u>
Diluted EPS:		
Net profit belonging to common shareholders	\$ <u>4,908,472</u>	<u>3,885,516</u>
Weighted average common stock outstanding (in thousands)	<u>2,794,207</u>	<u>2,706,364</u>
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	46,236	34,719
Restricted employee shares	<u>-</u>	<u>11,420</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>2,840,443</u>	<u>2,752,503</u>
Diluted EPS (in dollars)	\$ <u>1.73</u>	<u>1.41</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets	
United states	\$ 252,303,127
China	189,643,473
Europe	121,957,393
Other	<u>186,996,394</u>
	<u>\$ 750,900,387</u>
Major products	
Computer, Communication & Consumer electronics	\$ 672,515,117
Other	<u>78,385,270</u>
	<u>\$ 750,900,387</u>

For details on the revenue for the year ended December 31, 2017, please refer to Note 6(v).

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(ii) Contract balances

	<b>December 31, 2018</b>
Notes receivable	\$ 147
Accounts receivable	71,074,867
Accounts receivable - related parties	160,521,861
Less: loss allowance	<u>(582,288)</u>
	<b><u>\$ 231,014,587</u></b>
	<b>December 31, 2018</b>
Current contract liabilities-warranty	<u>\$ 1,219,899</u>
Current refund liability	<u>\$ 4,917,958</u>

For details on notes and accounts receivable and loss allowance, please refer to Note 6(f).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$1,238,334. The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no other significant changes during the year.

(v) Revenue and non-operating income and expenses

(i) Revenue

	<b>2017</b>
Computer, Communication & Consumer electronics	\$ 687,203,077
Others	<u>78,235,866</u>
Total	<b><u>\$ 765,438,943</u></b>

(ii) Other income

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>
Interest income	\$ 105,172	98,522
Dividend income	145,125	132,225
Rental income	<u>61,186</u>	<u>76,100</u>
Total	<b><u>\$ 311,483</u></b>	<b><u>306,847</u></b>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(iii) Other gain and loss

The details of other gain and loss for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses), net	\$ (564,492)	2,306,372
Gains on disposal of investment, net	5,887	288,310
Gains on disposal of property plant and equipment, net	439	422
Gains (losses) on valuation of financial assets (liabilities) by fair value, net	1,694,510	(1,972,720)
Other investment loss, net	-	(13,521)
Impairment losses	-	(98,682)
Others	<u>5,658</u>	<u>(80,087)</u>
Total	<u>\$ 1,142,002</u>	<u>430,094</u>

(iv) Finance costs

	<u>2018</u>	<u>2017</u>
Interest expenses		
Bank loans	<u>\$ (3,050,803)</u>	<u>(1,682,720)</u>

(w) Employees' and directors' compensation

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

- (i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualifications of employees, including the employees of subsidiaries of the Company, depends on certain specific requirements determined by the Board of Directors.
- (ii) No more than 1% of profit as the compensation in cash to the Directors

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

	<u>2018</u>	<u>2017</u>
Employee's compensation	\$ 700,154	711,308
Directors' compensation	<u>46,210</u>	<u>46,946</u>
	<u>\$ 746,364</u>	<u>758,254</u>

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

The amounts are calculated by the net profit before tax excluding employees' and directors' compensation, of each period multiplied by the percentage of employees' and directors' compensation as specified in the Company's Article of Incorporation. The amounts are accounted for under cost of sales and operating expense in 2018 and 2017. The numbers of shares distributed in 2017, was calculated basing on the closing price of the Company, one day before the date of the meeting of Board of Directors on April 27, 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017.

The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year.

(x) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Company's majority customers are in high-tech industries. To reduce concentration of credit risk, the Company evaluates its customers' financial positions periodically and requests its customers to provide collateral or promissory notes, if necessary. Besides, the Company periodically evaluates the aging of accounts receivable and recognized as loss allowances for doubtful accounts. Furthermore, it buys insurance for the accounts receivable. As of December 31, 2018 and 2017, 76% and 77%, respectively, of the Company's accounts receivable were concentrated on 7 specific customers. Therefore, the Company is exposed to credit risk.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
<b>As of December 31, 2018</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 34,434,687	34,489,347	34,489,347	-	-	-
Notes and accounts payable (including related parties)	208,654,230	208,654,230	208,654,230	-	-	-
Other payables (including related parties)	7,813,017	7,813,017	7,813,017	-	-	-
Long-term loans	14,712,146	16,005,323	-	16,005,323	-	-
Subtotal	<u>265,614,080</u>	<u>266,961,917</u>	<u>250,956,594</u>	<u>16,005,323</u>	<u>-</u>	<u>-</u>

(Continued)



## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	63,029	25,626,977	25,626,977	-	-	-
Inflow	-	(25,563,948)	(25,563,948)	-	-	-
Carrying amount	63,029	63,029	63,029	-	-	-
Foreign currency forward contracts:						
Outflow	11,307	11,307	11,307	-	-	-
Carrying amount	11,307	11,307	11,307	-	-	-
Subtotal	74,336	74,336	74,336	-	-	-
Total	<b>\$ 265,688,416</b>	<b>267,036,253</b>	<b>251,030,930</b>	<b>16,005,323</b>	-	-
<b>As of December 31, 2017</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 49,100,421	49,155,946	49,155,946	-	-	-
Notes and accounts payable (including related parties)	237,240,935	237,240,935	237,240,935	-	-	-
Other payables (including related parties)	2,478,451	2,478,451	2,478,451	-	-	-
Long-term loans (including current portion)	8,867,276	8,872,696	8,133,960	738,736	-	-
Subtotal	297,687,083	297,748,028	297,009,292	738,736	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	155,196	33,283,619	33,283,619	-	-	-
Inflow	-	(33,128,423)	(33,128,423)	-	-	-
Carrying amount	155,196	155,196	155,196	-	-	-
Foreign currency forward contracts:						
Outflow	62,999	62,999	62,999	-	-	-
Carrying amount	62,999	62,999	62,999	-	-	-
Subtotal	218,195	218,195	218,195	-	-	-
Total	<b>\$ 297,905,278</b>	<b>297,966,223</b>	<b>297,227,487</b>	<b>738,736</b>	-	-

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

#### (iii) Market risk

##### 1) Currency risk

##### a) Exposure to currency risk

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

	December 31, 2018			December 31, 2017				
	Foreign currency (Note)	Exchange rate between the transactional and Exchange rate functional currencies	TWD	Foreign currency (Note)	Exchange rate between the transactional and Exchange rate functional currencies	TWD		
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	7,923,643	USD/NTD=	30.733	243,517,324	8,622,338	USD/NTD=	29.848	257,359,559
<u>Non-monetary items</u>								
USD	1,953,864	USD/NTD=	30.733	60,048,096	1,904,054	USD/NTD=	29.848	56,832,213
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD	9,194,304	USD/NTD=	30.733	282,568,538	10,333,700	USD/NTD=	29.848	308,440,270

(Note): The amounts are presented in the transactional currencies and expressed in thousands.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

b) Currency risk sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency.

A Strengthening (weakening) 5 % of appreciation (depreciation) of the TWD against the USD as of December 31, 2018 and 2017, would increase (decrease) the net profit after tax by \$1,562,049 and \$2,119,850, respectively. The analysis assumes that all other variables remain constant.

2) Interest analysis

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

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

If the interest rate increase / decrease by 25 basis points, the Company's net profit after tax would decrease/increase by \$106,830 and \$69,219 for the years ended December 31, 2018 and 2017, with all other variable factors that remain constant. This is mainly due to the Company's borrowings in floating variable rate.

3) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018	2017
<b>Price of securities at reporting date</b>	<b>After-tax other comprehensive income</b>	<b>After-tax other comprehensive income</b>
Increasing 3%	\$ <b>70,459</b>	<b>62,533</b>
Decreasing 3%	\$ <b>(70,459)</b>	<b>(62,533)</b>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

## 4) Fair value information

## a) Fair value hierarchy

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

	December 31, 2018				Total
	Carrying amount	Level 1	Level 2	Level 3	
<b>Current financial assets at fair value through profit or loss</b>					
Derivative financial assets	\$ 13,803	-	13,803	-	13,803
Money market fund	50,105	-	50,105	-	50,105
Subtotal	<u>\$ 63,908</u>	<u>-</u>	<u>63,908</u>	<u>-</u>	<u>63,908</u>
<b>Non-current financial assets at fair value through profit or loss</b>	<u>\$ 382,766</u>	<u>-</u>	<u>-</u>	<u>382,766</u>	<u>382,766</u>
<b>Non-current financial assets at fair value through other comprehensive income</b>					
Equity instruments	\$ 2,519,185	1,380,609	-	1,138,576	2,519,185
Account receivables	4,556,336	-	-	-	-
Subtotal	<u>\$ 7,075,521</u>	<u>1,380,609</u>	<u>-</u>	<u>1,138,576</u>	<u>2,519,185</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 15,244,305	-	-	-	-
Notes and accounts receivable (including related parties)	226,458,251	-	-	-	-
Other receivable (including related parties)	12,649,932	-	-	-	-
Subtotal	<u>\$ 254,352,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Refundable deposits</b>	<u>\$ 56,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	<u>\$ 74,336</u>	<u>-</u>	<u>74,336</u>	<u>-</u>	<u>74,336</u>
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 34,434,687	-	-	-	-
Notes and accounts payable (including related parties)	208,654,230	-	-	-	-
Other payables (including related parties)	7,813,017	-	-	-	-
Long-term loans (including current portion)	14,712,146	-	-	-	-
Subtotal	<u>\$ 265,614,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

	December 31, 2017				
	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss derivative financial assets</b>	\$ <u>10,112</u>	-	10,112	-	10,112
<b>Available-for-sale financial assets</b>	\$ <u>2,315,075</u>	2,049,229	265,846	-	2,315,075
<b>Financial assets carried at cost</b>	\$ <u>1,336,488</u>	-	-	-	-
<b>Loans and receivables</b>					
Cash and cash equivalents	32,925,845	-	-	-	-
Notes and accounts receivable(including related parties)	246,139,079	-	-	-	-
Other receivable(including related parties)	9,655,159	-	-	-	-
Subtotal	\$ <u>288,720,083</u>	-	-	-	-
<b>Refundable deposits</b>	\$ <u>47,328</u>	-	-	-	-
<b>Financial liabilities at fair value through profit or loss</b>	\$ <u>218,195</u>	-	218,195	-	218,195
<b>Financial liabilities at amortized cost</b>					
Short-term loans	49,100,421	-	-	-	-
Notes and accounts payable (including related parties)	237,240,935	-	-	-	-
Other payables (including related parties)	2,478,451	-	-	-	-
Long-term loans (including current portion)	8,867,276	-	-	-	-
Subtotal	\$ <u>297,687,083</u>	-	-	-	-

b) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

The fair value of financial instruments which traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center of central government bond, might be regarded as the fair value of the listed equity securities and debt instruments which is traded in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The listed stock is traded in the active market and its fair value is based on the quoted market price accordingly.

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or the market transaction prices of the similar companies or other valuation techniques, including models, is calculated based on available market data at the reporting date.

The financial instrument of the Group is not traded in an active market, its fair value is determined as follows : The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

ii) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models.

Fair value of forward currency is usually determined by the forward currency exchange rate.

c) Transfer from Level 1 to Level 2: none

d) Changes between Level 3

The movement in the reconciliation of Level 3 fair values during the years ended December 31, 2018 was as follows:

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
January 1, 2018	\$ -	-	-
Effects of retrospective application	474,443	897,179	1,371,622
January 1, 2018 after adjustments	474,443	897,179	1,371,622
Total gains and losses recognized			
In profit or loss	(192,812)	-	(192,812)
In other comprehensive income	-	122,278	122,278
Purchased	101,135	150,152	251,287
Disposal and return of capital	-	(46,591)	(46,591)
Effect of tax	-	15,558	15,558
December 31, 2018	<u>382,766</u>	<u>1,138,576</u>	<u>1,521,342</u>

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

For the year ended December 31, 2018, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets measured at fair value through other comprehensive income” were as follows:

	<b>2018</b>
Total gains and losses recognized:	
In profit or loss, and presented in “other gains and losses”	\$ (192,812)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets measured at fair value through other comprehensive income”	122,278
	<b>\$ (70,534)</b>

- e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “financial assets measured at fair value through other comprehensive income – equity investments”.

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss – convertible bonds	Binary tree model	·EV/Revenue (as of December 31, 2018, were 1.9 ~ 2.72)	·The estimated fair value would increase if the multiplier was higher
Financial assets measured at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach – equity method	·Price – book ratio (as of December 31, 2018 were 0.76 ~ 3.90)	·The estimated fair value would increase if the multiplier was higher
		·Market liquidity discount rate (as of December 31, 2018 was 20%)	·The estimated fair value would decrease if market liquidity discount rate was higher
	Net asset value method	·Net asset value	Not applicable

(Continued)

## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

- f) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions.

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results.

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income :

	Inputs	Increase or decrease	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
<b>December 31, 2018</b>						
Financial assets measured at fair value through profit or loss	EV/ Revenue	5%	19,138	(19,138)	-	-
Financial assets at fair value through other comprehensive income	Price book ratio	5%	-	-	11,073	(11,073)
	Market liquidity discount rate	5%	-	-	11,073	(11,073)
	Net asset value method	5%	-	-	45,856	(45,856)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- 5) Offsetting financial assets and financial liabilities

The Company has financial instruments transactions applicable to the Section 42 of International Financial Reporting Standards No. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

<b>December 31, 2018</b>						
<b>Financial assets that are offset based on an enforceable master netting arrangement or similar agreement</b>						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other non-current assets	USD 790,000	790,000	-	-	-	-

<b>December 31, 2018</b>						
<b>Financial liabilities that are offset based on an enforceable master netting arrangement or similar agreement</b>						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	USD 790,000	790,000	-	-	-	-

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

December 31, 2017						
Financial assets that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other non-current assets	USD 4,114,313	4,114,313	-	-	-	-

December 31, 2017						
Financial liabilities that are offset based on an enforceable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	USD 4,114,313	4,114,313	-	-	-	-

(y) Concentration of financial risk

(i) By using financial instruments, the Company is exposed to risks as below:

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

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

(ii) Risk management framework

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

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

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

(Continued)



## WISTRON CORPORATION

### Notes to the Parent Company Only Financial Statements

(iii) Credit risk

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

1) Notes and accounts receivable

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

2) Investments

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

3) Guarantee

The Company only provides endorsement or guarantee for the companies defined in its policy - "Procedures Governing Endorsements and Guarantees". The Company did not provide any guarantees to its non-consolidated subsidiaries as of December 31, 2018 and 2017.

(iv) Liquidity risk

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

The loan was an important source of liquidity for the Company. As of December 31, 2018 and 2017, the Company has unused credit facilities for short-term and long-term loans of \$74,861,758 and \$48,754,071, respectively.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(v) Market risk

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

1) Currency risk

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

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

2) Interest risk

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

3) Other market price risk

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

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(z) Capital management

Through clear understanding and managing of significant changes in external environment, related industry characteristics, and corporate growth plan, the Company manages its capital structure to ensure it has sufficient financial resources to sustain proper liquidity, to invest in capital expenditures, as well as research and development expenses, to repay debts, and to distribute dividends in accordance to its plan. The management pursues the most suitable capital structure by monitoring and maintaining proper financial ratios as below. The Company aims to enhance the returns of its shareholders through achieving an optimized debt-to-equity ratio regularly.

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total liabilities	\$ 295,405,612	321,364,776
Less: cash and cash equivalents	<u>(15,244,305)</u>	<u>(32,925,845)</u>
Net debt	280,161,307	288,438,931
Total equity	<u>68,945,197</u>	<u>65,126,374</u>
Adjusted equity	<b>\$ <u>349,106,504</u></b>	<b><u>353,565,305</u></b>
Debt-to-equity ratio at December 31	<b><u>80.25%</u></b>	<b><u>81.58%</u></b>

(Note):Equity is total equity and net debt.

(aa) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2018, were as follows:

	<b>January 1, 2018</b>	<b>Cash flows</b>		<b>December 31, 2018</b>
		<b>Proceeds from debt</b>	<b>Repayments of debt</b>	
Short-term loans	\$ 49,100,421	484,141,756	(498,807,490)	34,434,687
Long-term loans (including current portion)	<u>8,867,276</u>	<u>16,158,205</u>	<u>(10,313,335)</u>	<u>14,712,146</u>
Total liabilities from financing activities	<b>\$ <u>57,967,697</u></b>	<b><u>500,299,961</u></b>	<b><u>(509,120,825)</u></b>	<b><u>49,146,833</u></b>

**(7) Related-party transactions**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related during the periods covered in the consolidated financial statements.

<b>Names of the related party</b>	<b>Relationship</b>
Weshtek Information Technology Services Co., Ltd. , Shanghai (WESH)	Subsidiary
SMS (Kunshan) Co., Ltd (WMKS)	Subsidiary
Wistron InfoComm Technology Service (Kunshan) Co., Ltd (WRKS)	Subsidiary
ANWITH (Kunshan) Co., LTD. (WCKS) (Note 1)	Subsidiary
Abilliant Corporation (WAC)	Subsidiary
Wistron Medical Tech (Chongqing) CO.,LTD. (WMCQ)	Subsidiary
LE BEN Investment Ltd (WLB)	Subsidiary

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

Names of the related party	Relationship
International Standards Labs. (ISL)	Subsidiary
Wise Cap Limited Company (WCL)	Subsidiary
WIEDU CORPORATION (WETW)	Subsidiary
Wistron Medical Tech Holding Company (WMH)	Subsidiary
Wistron Hong Kong Limited (WHK)	Subsidiary
Wistron InfoComm (Shanghai) Corporation (WSH)	Subsidiary
Wistron InfoComm (Zhongshan) Corporation (WZS)	Subsidiary
Wistron InfoComm (Chengdu) Co., Ltd. (WCD)	Subsidiary
Wistron InfoComm (Qingdao) Co.,Ltd (WQD) (Note 2)	Subsidiary
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	Subsidiary
Wistron InfoComm (CHONGQING) Co.Ltd. (WCQ)	Subsidiary
Wistron InfoComm (Taizhou) Co., Ltd. (WTZ)	Subsidiary
Wistron Digital Technology Holding Company (WDH)	Subsidiary
Wistron Medical Technology Corporation (WMT)	Subsidiary
Wistron Optronics (Shanghai) Co., Ltd. (WOSH)	Subsidiary
Wistron Optronics (Kunshan) Co. , Ltd. (WOK)	Subsidiary
SMS InfoComm (Singapore) Pte. Ltd. (WSSG )	Subsidiary
Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. (WEKS)	Subsidiary
Wistron Advanced Materials(Kunshan) Co. Ltd (WGKS)	Subsidiary
Wiwynn Technology Service (Beijing) Limited (WYBJ) (Note 3)	Subsidiary
Wiwynn Technology Service KunShan Ltd. (WYKS)	Subsidiary
Wiwynn Corporation (WYHQ)	Subsidiary
Wistron InfoComm Technology (Zhongshan) Co., Ltd. (WTZS)	Subsidiary
ANWITH TECHNOLOGY CORPORATION (WCHQ)	Subsidiary
WiAdvance Technology Corporation (AGI)	Subsidiary
SMS Infocomm Global Service (CQ) (WSCQ)	Subsidiary
Wistron Service (Kunshan) Corp. (WSKS)	Subsidiary
AII Holding Corporation (AIIH)	Subsidiary
Anwith Corporation (ANC)	Subsidiary
ANWITH SERVICE CO., LTD. (WSTH)	Subsidiary
Cowin Worldwide Corporation (Cowin)	Subsidiary
Creator Technology B.V. (WCT)	Subsidiary
ICT Service Management Solutions (India) Private Limited (WIN)	Subsidiary
Polymer Vision B.V. (WPV)	Subsidiary
Service Management Solutions Colombia S.A.S. (WSCO)	Subsidiary
Service Management Solutions Mexico S.A. de C.V. (WSMX)	Subsidiary
SMS InfoComm (Czech) s.r.o. (WSCZ)	Subsidiary

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

Names of the related party	Relationship
SMS INFOCOMM (MALAYSIA) SDN. BHD. (WSMY)	Subsidiary
SMS InfoComm Chile Servicios Limitada (WSCL)	Subsidiary
SMS InfoComm Corporation (WTX)	Subsidiary
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Subsidiary
SMS InfoComm Technology Services Limited Company (WTR)	Subsidiary
WiEDU Holding Co., Ltd. (WEDH )	Subsidiary
WiEdu Hong Kong Limited (WEHK)	Subsidiary
WIEDU SDN. BHD. (WEMY)	Subsidiary
Win Smart Co., Ltd. (Win Smart)	Subsidiary
WinDisplay Corporation (WDC)	Subsidiary
WiseCap (Hong Kong) Limited (WCHK)	Subsidiary
Wistron Advanced Materials (Hong Kong) Limited (WGHK)	Subsidiary
Wistron Europe Holding Cooperatie U.A. (WEH)	Subsidiary
Wistron GreenTech (Texas) Corporation (WGTX)	Subsidiary
Wistron Hong Kong Holding Limited (WHHK)	Subsidiary
Wistron InfoComm (Czech), s.r.o. (WCZ)	Subsidiary
Wistron InfoComm (Philippines) Corporation (WSPH)	Subsidiary
Wistron InfoComm Manufacturing (India) Private Limited (WMI)	Subsidiary
Wistron InfoComm Technology (America) Corporation (WITX)	Subsidiary
Wistron InfoComm Technology (Texas) Corporation (WITT)	Subsidiary
Wistron Investment (Sichuan) Co., Ltd. (WSC)	Subsidiary
Wistron K.K. (WJP)	Subsidiary
Wistron LLC (WLLC)	Subsidiary
Wistron Mexico, S.A. de C.V. (WMX)	Subsidiary
Wistron Mobile Solutions Corporation (WCH)	Subsidiary
Wistron Technology (Malaysia) Sdn. Bhd. (WMY)	Subsidiary
Wistron Technology Service (America) Corporation (WTS)	Subsidiary
WisVision Corporation (WVS)	Subsidiary
Wiwynn International Corporation (WYUDE)	Subsidiary
Wiwynn Korea Ltd. (WYKR)	Subsidiary
Wiwynn Technology Service Hong Kong Limited (WYHK)	Subsidiary
Wiwynn Technology Service Japan, Inc. (WYJP)	Subsidiary
WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD. (WYMY)	Subsidiary
T-CONN PRECISION CORPORATION (TPE)	Associate
HSIEH-YUH TECHNOLOGY CO., LTD. (HYBVI)	Associate
Join-Link International Technology Co. Ltd. (JLH)	Associate
AOpen Inc.(AOI) (Note 4 )	Associate

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

Names of the related party	Relationship
ICA Inc. (CQIC)	Associate
Maya International Company, Ltd. (MAYA)	Associate
WNC Holding Corporation (WNC)	Associate
Fullerton Ltd. (FLT)	Associate
WIBASE INDUSTRIAL SOLUTIONS INC. (WIS)	Associate
Wistron Information Technology and Services Corporation (WITS)	Associate
HIGH-TEK HARNESS ENTERPRISE CO.,LTD (HTK)	Associate
Formosa Prosonic Industries Berhad (FPI)	Associate
Optiemus Electronics Limited (OPEL)	Associate
Super Elite Ltd.(SEL)	Associate
Wistron Humanities Foundation.	Other related party

(Note 1): WCKS was liquidated in third quarter of 2018.

(Note 2): WQD was liquidated in first quarter of 2018.

(Note 3): WYBJ was liquidated in second quarter of 2018.

(Note 4): AOI was no longer as a related party of the Company from the first quarter of 2018, since the company disposed partial equity of AOI in the last quarter of 2017, and AOI re-elected the directors in the first quarters of 2018.

(b) Related party transactions

(i) Sales

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

	Sales	
	2018	2017
Subsidiaries		
AIIH	\$ 148,483,913	150,106,296
WYHQ	53,815,919	28,222,421
WITX	27,537,504	26,449,644
Others	14,225,441	8,915,591
Associates	<u>39,082</u>	<u>79,898</u>
	<u>\$ 244,101,859</u>	<u>213,773,850</u>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

	<u>Receivable from related party</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Subsidiaries		
AIIIH	\$ 33,866,802	29,127,795
WOK	25,894,700	8,809,411
WCQ	25,598,962	19,237,567
WEKS	22,581,598	87,520,249
WITX	17,907,519	13,496,514
Others	34,654,411	39,546,385
Associates	<u>17,869</u>	<u>19,554</u>
	<u><b>\$ 160,521,861</b></u>	<u><b>197,757,475</b></u>

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

(ii) Purchases

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

	<u>Purchases</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries		
Cowin	\$ 165,163,007	169,045,657
WEKS	134,634,141	220,691,172
WCQ	125,473,272	94,484,625
WCD	110,331,940	116,137,030
WAKS	74,457,156	58,499,955
Others	68,263,682	62,025,211
Associates	<u>40,330</u>	<u>60,062</u>
	<u><b>\$ 678,363,528</b></u>	<u><b>720,943,712</b></u>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

	<b>Payable to related party</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Subsidiaries		
Cowin	\$ 39,522,610	44,512,444
WCQ	32,185,622	23,766,680
WEKS	22,610,465	76,213,716
WOK	19,588,264	5,450,918
WAKS	19,063,283	8,833,195
WCD	18,012,938	20,932,731
Others	2,756,811	2,038,310
Associates	<u>17,879</u>	<u>32,671</u>
	<b><u>\$ 153,757,872</u></b>	<b><u>181,780,665</u></b>

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

(iii) Rental income and property transactions and their outstanding balance were as follow:

	<b>Amount</b>	
	<b>2018</b>	<b>2017</b>
Rental income		
Subsidiaries		
ISL	\$ 29,061	48,090
Others	1,255	857
Associates	<u>343</u>	<u>343</u>
	<b><u>\$ 30,659</u></b>	<b><u>49,290</u></b>
Property transactions		
Subsidiaries		
WIN	\$ 157,690	101,254
Others	-	4,149
Associates	<u>-</u>	<u>14</u>
	<b><u>\$ 157,690</u></b>	<b><u>105,417</u></b>

(Continued)



**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

	<u>Other receivable to related parties</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Rental income		
Subsidiaries		
ISL	\$ 12,436	25,216
Others	<u>107</u>	<u>-</u>
	<u>\$ 12,543</u>	<u>25,216</u>
Property transactions		
Subsidiaries		
WAKS	\$ -	198
WIN	<u>-</u>	<u>41</u>
	<u>\$ -</u>	<u>239</u>

(iv) Operating expenses and property transactions and their outstanding balances as follows:

	<u>Amount</u>	
	<u>2018</u>	<u>2017</u>
Rent expenses		
Subsidiary		
WETW	<u>\$ 870</u>	<u>140</u>
Property transactions		
Subsidiaries		
AGI	\$ 206,250	-
WYHQ	2,936	5,237
Others	1,596	1,433
Associates		
SEL	-	2,450
WNC	-	2,354
Others	<u>54</u>	<u>-</u>
	<u>\$ 210,836</u>	<u>11,474</u>
Contribution		
Associates	<u>\$ 8,671</u>	<u>8,622</u>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

	<u>Other payables to related parties</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Rent expense		
Subsidiary		
WETW	\$ -	147
Property transactions		
Subsidiary		
AGI	\$ 2,600	-

(v) Advances to related parties

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

	<u>Other receivable to related parties</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Subsidiaries		
WITX	\$ 105,958	118,024
WMT	91,970	-
WZS	48,576	51,634
Others	149,641	50,924
Associates	<u>2,126</u>	<u>2,495</u>
	<u>\$ 398,271</u>	<u>223,077</u>

(vi) Advances from related parties

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

	<u>Other payable to related parties</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Subsidiaries:		
WITX	\$ 6,245,555	985,553
AIIH	233,607	280,579
Cowin	217,192	216,675
Others	335,527	427,853
Associates	<u>11,267</u>	<u>10,903</u>
	<u>\$ 7,043,148</u>	<u>1,921,563</u>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(vii) Financing to related parties

The loans to related parties were as follows:

		<b>2018</b>				
	<b>Maximum balance date</b>	<b>Maximum balance</b>	<b>Ending balance</b>	<b>Interest rate</b>	<b>Interest income</b>	<b>Interest receivable</b>
WSPH	2016.9	\$ <u>537,793</u>	-	1.50%	<u>5,581</u>	-
		<b>2017</b>				
	<b>Maximum balance date</b>	<b>Maximum balance</b>	<b>Ending balance</b>	<b>Interest rate</b>	<b>Interest income</b>	<b>Interest receivable</b>
WSPH <small>(formerly named as WPH)</small>	2016.9	\$ <u>530,355</u>	<u>522,340</u>	1.50%	<u>2,253</u>	-

The outstanding balance from aforementioned transactions were accounted for under “Other receivables-related parties”.

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other receivable-related parties:		
Rental receivable	\$ 12,543	25,216
Receivable from sale of assets	-	239
Financing and interest receivable	-	522,340
Other receivables	<u>398,271</u>	<u>223,077</u>
	<b>\$ <u>410,814</u></b>	<b><u>770,872</u></b>

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other payables-related parties:		
Rental payable	\$ -	147
Payable to purchase of assets	2,600	-
Other payables	<u>7,043,148</u>	<u>1,921,563</u>
	<b>\$ <u>7,045,748</u></b>	<b><u>1,921,710</u></b>

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**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

(c) Transactions with key management personnel

Key management personnel compensation:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 60,230	59,119
Post-employment benefits	<u>1,223</u>	<u>1,184</u>
	<u>\$ 61,453</u>	<u>60,303</u>

**(8) Pledged assets:**

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other non-current assets -restricted bank deposit	Stand by L/C	<u>\$ 9,567</u>	<u>9,576</u>

**(9) Commitments and contingencies:**

(a) Major litigation

Qualcomm Inc. filed a patent infringement lawsuit against the Company and other three ODM companies in the United States District Court - Southern District of California on May 17, 2017. The above three ODM companies and the Company also filed a counterclaim against Qualcomm Inc. on July 19, 2017. The case is still in legal proceedings with the assistance of attorney.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events:**

(a) The appropriation of earnings for 2018 that was approved at the board of directors meeting on March 25, 2019, were as follows:

	<u>2018</u>
Common stock dividends	
Cash dividends	<u>\$ 4,226,640</u>

The appropriations of earnings for 2018 are to be presented for approval in the shareholders' meeting to be held in June 2019.

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

**(12) Other:**

(a) Total personnel, depreciation and amortization expenses categorized by function were as follows:

	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	871,254	7,454,849	8,326,103	808,847	7,477,131	8,285,978
Labor and health insurance	65,427	545,689	611,116	57,902	518,304	576,206
Pension	40,121	334,688	374,809	36,632	319,946	356,578
Remuneration of directors	-	47,050	47,050	-	47,556	47,556
Others	24,900	586,673	611,573	13,904	581,456	595,360
Depreciation (Note)	19,458	369,194	388,652	19,294	1,069,723	1,089,017
Amortization	-	272,300	272,300	-	274,517	274,517

As of December 31, 2018 and 2017, the Company had 7,162 and 6,708 employees, and of which 7 directors were not in concurrent employment, respectively.

(Note) : The of the investment property in 2018 and 2017 both amounted to \$3,745, which was recognized under other gains and losses.

**(13) Other disclosures:**

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2018:

- (i) Financings provided: Please see Table 1 attached
- (ii) Guarantee and Endorsement provided: Please see Table 2 attached
- (iii) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 3 attached
- (iv) Accumulated buying/selling of the same marketable securities for which the dollar amount at least \$300 million or 20% of paid-in capital : Please see Table 4 attached
- (v) Acquisition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital : None

(Continued)

**WISTRON CORPORATION**  
**Notes to the Parent Company Only Financial Statements**

- (vi) Disposition of real estate for which the dollar amount at least \$300 million or 20% of paid-in capital : None
- (vii) Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 5 attached
- (viii) Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid-in capital : Please see Table 6 attached
- (ix) Derivative transactions : Please refer to Note 6(b) for related information

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 2018: Please see Table 7 attached

- (c) Information on investment in Mainland China : Please see Table 8 attached

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2018.

**Wistron Corporation**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2018**

(Expressed in thousands of New Taiwan Dollars / Foreign Currencies)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 16,108
	USD	1
	NTD	16,082
Demand and check deposits		13,745,018
	AUD	225
	EUR	77
	GBP	345
	HKD	624
	JPY	72,156
	NTD	12,780,243
	PLN	79
	RMB	1,869
	SGD	204
	USD	29,534
Time deposits		1,483,179
	RMB	312,000
	AUD	1,500
	SGD	2,400
Total		<u>\$ 15,244,305</u>

Note 1: The ending rates of foreign currency deposits on December 31, 2018 are as follows:

USD/NTD=30.73  
AUD/NTD=21.90  
EUR/NTD=35.14  
GBP/NTD=38.90  
HKD/NTD=3.92  
JPY/NTD=0.28  
PLN/NTD=8.20  
RMB/NTD=4.48  
SGD/NTD=22.49

Note 2: The periods of time deposits ranged from 6 days to 95 days, and the annual rate ranges between 1.180% and 5.35%.

**Wistron Corporation****Statement of Financial Assets Measured at Fair Value through Profit or Loss****- Current - Non-Derivative Financial Instruments****December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

<b>Name of financial instrument</b>	<b>Description</b>	<b>Shares or units (in thousands)</b>	<b>Acquisition cost</b>	<b>Fair Value</b>	
				<b>Unit price (in dollars)</b>	<b>Total amount</b>
<b>Beneficiary Certificate</b>					
Taipei Fubon Chi-Hsiang Money Market Fund	Open-end fund	3,199 \$	<b>49,956</b>	15.66	<b><u>50,105</u></b>



## Wistron Corporation

## Statement of Financial Assets Measured at Fair Value through Profit or Loss

## - Current - Non-Derivative financial Instruments (1)

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Description	Name of financial instrument		Notional amounts (in thousands)	Fair value (in thousands of NTD)	
CTBC Bank	Buy foreign currency swap contract	USD	30,000	\$ 1,694	
Taishin International Bank	Buy foreign currency swap contract	USD	20,000	874	
ESUN Bank	Buy foreign currency swap contract	USD	30,000	1,425	
City Bank	Buy foreign currency swap contract	USD	30,000	547	
DBS Bank	Buy foreign currency forward contract	USD	3,000	212	
	Sell foreign currency swap contract	USD	5,000	200	
	Buy foreign currency forward contract	USD	3,000	151	
	Buy foreign currency swap contract	USD	3,000	78	
	Buy foreign currency forward contract	USD	11,000	73	
	Sell foreign currency swap contract	USD	3,000	17	
	KGI Bank	Buy foreign currency swap contract	USD	30,000	1,746
	Standard Chartered Bank	Buy foreign currency swap contract	USD	20,000	954
HSBC Bank	Buy foreign currency swap contract	USD	20,000	936	
United Overseas Bank	Sell foreign currency swap contract	USD	3,000	403	
	Sell foreign currency swap contract	USD	3,000	355	
	Sell foreign currency swap contract	USD	3,000	251	
Deutsche Bank	Buy foreign currency forward contract	USD	5,000	566	
	Buy foreign currency forward contract	USD	11,000	477	
	Buy foreign currency forward contract	USD	4,000	362	
	Buy foreign currency swap contract	USD	5,000	242	
	Sell foreign currency swap contract	USD	5,000	148	
	Sell foreign currency swap contract	USD	5,000	148	
	Sell foreign currency swap contract	USD	5,000	148	
	Buy foreign currency swap contract	USD	3,000	145	
	Buy foreign currency swap contract	USD	3,000	143	
	Buy foreign currency swap contract	USD	3,000	143	
	Buy foreign currency swap contract	USD	3,000	128	
	Buy foreign currency swap contract	USD	5,000	110	
	Buy foreign currency swap contract	USD	5,000	110	
	Buy foreign currency swap contract	USD	5,000	75	
	Buy foreign currency swap contract	USD	5,000	59	
	Buy foreign currency swap contract	USD	5,000	59	
	Buy foreign currency swap contract	USD	3,000	44	
	Buy foreign currency swap contract	USD	5,000	35	
	Buy foreign currency swap contract	USD	3,000	14	
	Sell foreign currency swap contract	USD	5,000	10	
Sell foreign currency swap contract	USD	3,000	6		

## Wistron Corporation

Statement of Financial Assets Measured at Fair Value through Profit or Loss  
- Current - Non-Derivative Financial Instruments (2)

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Description	Name of financial instrument	Notional amounts (in thousands)	Fair value (in thousands of NTD)
J.P. Morgan Private Bank	Buy foreign currency forward contract	USD 6,000	150
	Buy foreign currency swap contract	USD 3,000	113
	Sell foreign currency swap contract	USD 3,000	108
	Buy foreign currency swap contract	USD 3,000	92
	Buy foreign currency swap contract	USD 3,000	78
	Sell foreign currency swap contract	USD 3,000	66
	Buy foreign currency forward contract	USD 3,000	57
	Sell foreign currency swap contract	USD 3,000	51
Financial assets measured at fair value through profit or loss – current			13,803
MUFG Bank	Buy foreign currency swap contract	USD 30,000	(1,266)
	Buy foreign currency swap contract	USD 25,000	(2,573)
CTBC Bank	Buy foreign currency swap contract	USD 20,000	(841)
	Buy foreign currency swap contract	USD 30,000	(1,970)
Mizuho Bank	Buy foreign currency swap contract	USD 20,000	(650)
Taishin International Bank	Buy foreign currency swap contract	USD 20,000	(1,136)
ESUN Bank	Buy foreign currency swap contract	USD 15,000	(960)
	Buy foreign currency swap contract	USD 20,000	(1,280)
	Buy foreign currency swap contract	USD 30,000	(1,388)
	Buy foreign currency swap contract	USD 30,000	(2,040)
	Buy foreign currency swap contract	USD 20,000	(2,350)
	Buy foreign currency swap contract	USD 30,000	(2,970)
	Buy foreign currency swap contract	USD 50,000	(4,447)
BNP Bank	Buy foreign currency swap contract	USD 20,000	(790)
Citi Bank	Buy foreign currency swap contract	USD 25,000	(1,513)
	Buy foreign currency swap contract	USD 20,000	(2,158)
DBS Bank	Buy foreign currency swap contract	USD 3,000	(29)
	Buy foreign currency swap contract	USD 5,000	(55)
	Buy foreign currency swap contract	USD 3,000	(177)
	Buy foreign currency swap contract	USD 5,000	(177)
	Buy foreign currency swap contract	USD 5,000	(260)
	Buy foreign currency forward contract	USD 5,000	(312)
	Buy foreign currency forward contract	USD 6,000	(347)
	Buy foreign currency swap contract	USD 8,000	(432)
	Buy foreign currency forward contract	USD 10,000	(768)

## Wistron Corporation

**Statement of Financial Assets Measured at Fair Value through Profit or Loss**  
**- Current - Non-Derivative Financial Instruments (3)**

**December 31, 2018**

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

<b>Description</b>	<b>Name of financial instrument</b>		<b>Notional amounts (in thousands)</b>	<b>Fair value (in thousands of NTD)</b>
Cathay United Bank	Buy foreign currency swap contract	USD	25,000	(2,076)
Taipei Fubon Bank	Buy foreign currency swap contract	USD	30,000	(1,262)
	Buy foreign currency swap contract	USD	40,000	(2,790)
Standard Chartered Bank	Buy foreign currency swap contract	USD	30,000	(1,429)
	Buy foreign currency swap contract	USD	35,000	(3,324)
HSBC Bank	Buy foreign currency swap contract	USD	20,000	(1,450)
	Buy foreign currency swap contract	USD	25,000	(1,813)
United Overseas Bank	Buy foreign currency swap contract	USD	3,000	(170)
	Buy foreign currency swap contract	USD	3,000	(341)
	Buy foreign currency forward contract	USD	3,000	(393)
	Buy foreign currency swap contract	USD	3,000	(479)
	Buy foreign currency swap contract	USD	3,000	(485)
	Buy foreign currency swap contract	USD	3,000	(551)
	Buy foreign currency swap contract	USD	3,000	(563)
	Buy foreign currency swap contract	USD	3,000	(564)
	Buy foreign currency swap contract	USD	3,000	(572)
	Buy foreign currency swap contract	USD	3,000	(575)
	Buy foreign currency swap contract	USD	3,000	(593)
	Buy foreign currency forward contract	USD	8,000	(1,391)
OCBC Business Banking	Buy foreign currency forward contract	USD	6,000	(96)
	Buy foreign currency swap contract	USD	3,000	(162)
	Sell foreign currency swap contract	USD	3,000	(249)
	Sell foreign currency swap contract	USD	3,000	(317)
	Buy foreign currency swap contract	USD	3,000	(369)
	Buy foreign currency forward contract	USD	3,000	(403)
	Buy foreign currency swap contract	USD	3,000	(487)
	Buy foreign currency swap contract	USD	3,000	(515)
	Buy foreign currency swap contract	USD	3,000	(562)
	Buy foreign currency forward contract	USD	6,000	(1,290)
	Buy foreign currency forward contract	USD	10,000	(2,057)
	Buy foreign currency swap contract	USD	30,000	(4,718)
Chang Hwa Bank	Buy foreign currency swap contract	USD	20,000	(526)
	Buy foreign currency swap contract	USD	20,000	(2,141)

**Wistron Corporation**  
**Statement of Financial Assets Measured at Fair Value through Profit or loss**  
**- Current - Non-Derivative Financial Instruments (4)**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Description	Name of financial instrument	Notional amounts (in thousands)	Fair value (in thousands of NTD)
Deutsche Bank	Buy foreign currency swap contract	USD 3,000	(1)
	Buy foreign currency swap contract	USD 3,000	(1)
	Buy foreign currency swap contract	USD 3,000	(1)
	Buy foreign currency forward contract	USD 6,000	(36)
	Buy foreign currency swap contract	USD 5,000	(81)
	Buy foreign currency swap contract	USD 5,000	(97)
	Buy foreign currency swap contract	USD 5,000	(97)
	Buy foreign currency swap contract	USD 3,000	(134)
	Buy foreign currency forward contract	USD 6,000	(235)
	Buy foreign currency forward contract	USD 10,000	(276)
	Buy foreign currency forward contract	USD 15,000	(385)
	Buy foreign currency forward contract	USD 8,000	(468)
	Buy foreign currency forward contract	USD 11,000	(505)
	J.P. Morgan Private Bank	Buy foreign currency swap contract	USD 3,000
Buy foreign currency swap contract		USD 3,000	(22)
Buy foreign currency forward contract		USD 1,000	(42)
Buy foreign currency swap contract		USD 3,000	(96)
Buy foreign currency swap contract		USD 3,000	(107)
Buy foreign currency swap contract		USD 3,000	(110)
Buy foreign currency swap contract		USD 3,000	(114)
Buy foreign currency forward contract		USD 13,000	(143)
Buy foreign currency swap contract		USD 3,000	(150)
Buy foreign currency swap contract		USD 3,000	(165)
Buy foreign currency forward contract		USD 8,000	(439)
Buy foreign currency forward contract		USD 13,000	(475)
Buy foreign currency forward contract		USD 13,000	(576)
Buy foreign currency forward contract		USD 15,000	(670)
ANZ Institutional Bank	Sell foreign currency swap contract	EUR 6,000	(1,618)
	Buy foreign currency swap contract	USD 20,000	(1,668)
Financial liabilities measured at fair value through profit or loss – current			(74,336)
Total			<u>\$ (60,533)</u>

**Wistron Corporation**  
**Statement of Notes and Accounts Receivable**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Client I	\$ 21,118,183
Client L	10,677,185
Client H	5,632,207
Client V	5,002,290
Client A	4,081,221
Client K	4,030,246
Client J	3,741,283
Others (less than 5%)	16,792,399
Less: loss allowance	<u>(582,288)</u>
	<u><u>\$ 70,492,726</u></u>

**Wistron Corporation**  
**Statement of Inventories**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>	<u>Net realizable value</u>	<u>Note</u>
Raw materials	\$ 1,471,603	1,607,064	-
Work in progress	184,274	152,623	-
Finished goods	4,603,043	4,784,243	-
Inventory in transit	<u>6,182,210</u>	<u>5,933,458</u>	-
Subtotal	12,441,130	<u><b>12,477,388</b></u>	
Less: provision of valuation of inventories losses	<u>(128,204)</u>		-
Total	<u><b>\$ 12,312,926</b></u>		

## Wistron Corporation

## Statement of Movement of Financial Assets Measured at Fair Value through Profit or Loss - Non-Current

January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name	Beginning Balance (Note 1)		Effect of Retrospective Application		Modified Beginning Balance		Increase		Gains (Losses) on Valuation	Ending Balance		Collateral
	Share or units	Fair Value	Share or units	Amount	Share or units	Fair Value	Share or units	Amount		Share or units	Fair Value	
Lilee Systems, Ltd.	-	151,309	-	(4,414)	-	146,895	-	-	7,100	-	153,995	None
Audio Design Expert, Inc.	-	353,635	-	(213,082)	-	140,553	-	24,764	(80,128)	-	85,189	None
Timecruser Computing Composition (Note 2)	-	91,359	-	(19,527)	-	71,832	-	-	(71,832)	-	-	None
Smartply, Inc.	-	90,323	-	24,840	-	115,163	-	76,371	(47,952)	-	143,582	None
Total		<u>\$ 686,626</u>		<u>(212,183)</u>		<u>474,443</u>		<u>101,135</u>	<u>(192,812)</u>		<u>382,766</u>	

(Note 1): The carrying amounts were presented together with the amounts of the financial assets carried at cost (under IAS39) as of December 31, 2017.

(Note 2): TCC was liquidated in the last quarter of 2018.

## Wistron Corporation

## Statement of Movement of Financial Assets at Fair Value through Other Comprehensive Income - Non-Current

January 1 to December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name	Beginning Balance (Note 1)		Effect of Retrospective Application		Modified Beginning Balance		Increase		Decrease		Gains (Losses) on Valuation		Deferred tax assets (liabilities)		Ending Balance		Collateral
	Share or units	Amount	Share or units	Amount	Share or units	Amount	Share or units	Amount	Share or units	Amount	Share or units	Amount	Share or units	Amount	Share or units	Amount	
Alpha Networks Inc.	19,448	\$ 462,858	-	-	19,448	462,858	-	-	-	-	(140,997)	-	-	19,448	321,861	None	
Gamania Digital Entertainment Co., Ltd.	1,186	100,017	-	-	1,186	100,017	-	(60)	(1,801)	(13,733)	-	-	-	1,126	84,483	None	
Super Dragon Technology Co., Ltd.	5,676	85,708	-	-	5,676	85,708	-	-	-	(17,028)	-	-	-	5,676	68,680	None	
Global Lighting Technologies Inc.	20,914	944,286	-	-	20,914	944,286	-	-	-	(287,573)	-	-	-	20,914	656,713	None	
ARBOR Technology Corp.	4,326	114,855	-	-	4,326	114,855	131	-	-	(25,718)	-	-	-	4,457	89,137	None	
AOpen Inc.	8,497	140,193	-	-	8,497	140,193	-	-	-	19,542	-	-	-	8,497	159,735	None	
Xplore	7	630	-	-	7	630	-	(7)	(871)	193	-	-	-	-	-	None	
ABC-KY	2,800	26,163	-	-	2,800	26,163	-	(9)	(36)	(13,049)	-	-	(3,262)	2,791	9,816	None	
FineMat Applied Materials Co., Ltd.	4,739	73,023	-	-	4,739	73,023	-	(150)	(2,682)	55,185	-	-	-	4,589	125,526	None	
Clientron Corp.	1,079	12,771	-	-	1,079	12,771	-	(162)	(1,618)	4,309	-	-	-	917	15,462	None	
Plexbio Corporation, LTD	1,227	4,532	-	-	1,227	4,532	-	-	-	2,124	-	-	-	1,227	6,656	None	
Howe advanced Ltd.	4,000	-	-	-	4,000	-	-	-	-	-	-	-	-	4,000	-	None	
Lilee Systems, Ltd.	2,143	-	-	-	2,143	-	-	-	-	-	-	-	-	2,143	-	None	
Zeo, Inc.	779	-	-	-	779	-	-	-	-	-	-	-	-	779	-	None	
Phostek, Inc.	1,875	448	-	-	1,875	448	-	-	-	(174)	-	-	(44)	1,875	230	None	
DDD Group PLC	9,920	-	-	-	9,920	-	-	-	-	-	-	-	-	9,920	-	None	
Janus Technologies, Inc.	864	-	-	-	864	-	-	-	-	-	-	-	-	864	-	None	
Vmedia Research	2,000	-	-	-	2,000	-	-	-	-	-	-	-	-	2,000	-	None	
Tube Inc.	17,009	116,255	-	-	17,009	116,255	-	-	-	(41,991)	-	-	(10,498)	17,009	63,766	None	
Audio Design Experts, Inc.	546	-	-	-	546	-	-	-	-	-	-	-	-	546	-	None	
Tactus Technology, Inc.	7,136	-	-	-	7,136	-	-	-	-	-	-	-	-	7,136	-	None	
Airtog, Inc.	3,536	-	-	-	3,536	-	-	-	-	-	-	-	-	3,536	-	None	
Vidert Inc.	226	32,654	-	-	226	32,654	-	-	-	(26,123)	-	-	(6,531)	226	-	None	
Scenera, Inc.	645	-	-	-	645	-	-	-	-	-	-	-	-	645	-	None	
Jafco AT Fund III L.P.	-	3,027	-	(127)	-	2,900	-	-	(2,900)	-	-	-	-	-	-	None	
Jafco AT Fund IV L.P.	-	66,670	-	(22,937)	-	43,733	-	-	(16,382)	(13,277)	-	-	(4,069)	-	7,005	None	
IP Cathy II, L.P.	-	136,294	-	(122,807)	-	13,487	-	-	-	(5,810)	-	-	(1,452)	-	6,225	None	
IP Fund Six Co., Ltd.	6,000	60,000	-	2,898	6,000	62,898	-	-	-	(2,970)	-	-	-	6,000	59,928	None	
Corsa Fund 2012, L.P.	-	24,468	-	(11,703)	-	12,765	517	-	(1,237)	284	-	-	71	-	12,400	None	
JAFCCO Asia Technology Fund VI	-	248,593	-	146,621	-	395,214	14,972	-	(12,087)	206,501	-	-	51,625	-	656,225	None	
Kibou Fund L.P.	-	62,246	-	4,725	-	66,971	-	-	-	2,539	-	-	635	-	61,895	None	
Fenox Venture Company XIV, L.P.	-	48,564	-	(15,199)	-	33,365	-	-	-	(8,250)	-	-	(8,350)	-	3,791	None	
Vertex V (C.I.) Fund L.P.	-	-	-	-	-	-	-	-	-	(2,238)	-	-	(559)	-	31,383	None	
China Renewable Energy Fund LP	-	-	-	-	-	-	-	-	-	(8,308)	-	-	(2,008)	-	78,268	None	
Total		\$ 2,764,255		(18,529)		2,745,726		150,152	(47,864)	(344,435)			15,606		2,519,185		

(Note 1): The carrying amounts were presented together with the amounts of the available-for-sale assets and financial assets carried at cost (under IAS39) as of December 31, 2017.



**Wistron Corporation**  
**Statement of Movement of Investments Accounted for Using the Equity Method**  
**January 1 to December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

Name of investee	Beginning Balance		Increase		Decrease		Investment income (loss)	Cumulative translation adjustment	Adjustments for non-proportional investments and others	Cash dividends	Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	Shares (in thousands)	Ending Balance Percentage of ownership	Market Value or Net Assets Value		Collateral		
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount								Unit price	Total amounts			
WTX	678,843	\$ 2,398,205	-	-	(385,489)	(586,316)	490,012	82,488	-	-	-	293,454	100.00 %	2,384,389	8	2,384,389	None	
AHH	4,833	1,306,832	-	-	-	-	155,727	41,605	-	-	-	4,833	100.00 %	1,504,164	311	1,504,164	None	
Covin	347,486	5,070,261	-	-	-	-	-	(23,775)	31,019	-	(30,998)	347,486	100.00 %	5,046,507	15	5,189,881	None	
Win Smart	188,394	12,516,776	-	-	-	-	945,722	385,555	-	-	-	188,394	100.00 %	13,848,053	73	13,749,533	None	
WCL	384,065	28,268,692	100,000	2,994,400	-	-	(154,988)	802,092	125,536	-	(125,536)	484,065	100.00 %	31,910,286	66	31,910,286	None	
ISL	-	1,499,120	-	-	-	-	373,929	6,208	(31,459)	-	(67,019)	-	100.00 %	1,760,779	11	1,760,779	None	
WSPH	2,094	52,702	-	-	-	-	3,913	-	2,207	(2,460)	(2,28)	2,094	100.00 %	56,134	27	56,134	None	
WLLC	139,567	209,859	-	-	-	-	25,204	6,684	3,123	-	-	139,567	100.00 %	244,870	2	244,870	None	
WWS	5,436	2,080,018	-	-	-	-	58,105	62,739	-	-	-	5,436	100.00 %	2,200,862	405	2,200,862	None	
WHH	12,005	434,106	-	-	-	-	54,027	(6,400)	-	-	-	12,005	100.00 %	482,093	40	482,093	None	
WBR	-	412,402	-	-	-	-	45,660	(9,022)	-	-	-	-	99.99 %	449,040	13	449,040	None	
WTR	37,243	440,513	-	-	-	-	(60,030)	(50,240)	-	-	-	37,243	99.99 %	330,243	9	330,243	None	
WGTX	22	75,501	-	-	-	-	28,142	(21,446)	-	-	-	22	99.90 %	82,197	3,736	82,197	None	
WGRK	13	109,157	-	-	-	-	(20,842)	2,854	-	-	-	13	100.00 %	91,169	7,013	91,169	None	
WMT	33,500	317,251	-	-	-	-	(51,754)	8,457	-	-	-	33,500	100.00 %	273,954	8	273,954	None	
WSMX	80,000	404,687	-	-	-	-	(30,065)	(1,694)	-	-	-	80,000	100.00 %	376,451	5	376,451	None	
WSCO	36,429	(60,594)	-	-	-	-	(9,757)	(1,694)	-	-	-	36,429	100.00 %	(72,025)	(2)	(72,025)	None	
WCH	559	58,895	-	-	-	-	17,570	(5,673)	-	-	-	559	100.00 %	70,792	127	70,792	None	
WYHQ	20	613,501	-	-	-	-	(64,317)	17,010	-	-	-	20	100.00 %	566,194	28,310	566,194	None	
WEDH	55,818	1,587,254	21,996	1,071,701	-	-	2,872,842	93,221	152,283	(261,311)	-	77,814	51.18 %	5,515,990	71	5,515,990	None	
WCHK	2,000	(98,772)	3,700	110,388	-	-	(6,932)	(1,952)	-	-	-	5,700	100.00 %	2,732	-	2,732	None	
ISGTG	58,446	102,772	-	-	-	-	110,880	6,862	-	-	-	58,446	100.00 %	162,613	3	162,613	None	
ISGTC	5	-	-	-	-	-	-	-	-	-	-	5	40.00 %	-	-	-	None	
WCHQ	1,000	(1,901)	-	-	-	-	(1,912)	-	1,389	-	-	1,000	100.00 %	(2,424)	(2)	(2,424)	None	
WZJ	-	1,524,231	-	-	-	-	848,828	112,356	-	-	-	-	100.00 %	2,485,415	-	2,485,415	None	
WEHK	11,426	(88,987)	-	-	-	-	(63,131)	1,074	-	-	-	11,426	100.00 %	(111,044)	(10)	(111,044)	None	
AGI	3,019	22,629	-	-	-	-	(10,053)	-	2,156	-	-	19,999	99.99 %	184,532	9	184,532	None	
WSSG	57,489	1,476,450	16,980	169,800	-	-	(161,514)	(50,259)	-	-	-	112,489	100.00 %	2,876,359	26	2,876,359	None	
WDH	60,508	609,082	2,923	1,611,682	-	-	70,494	(1,614)	-	-	14,919	63,431	100.00 %	727,136	11	727,136	None	
WMH	120,000	997,173	80,000	800,000	-	-	(108,923)	107	28,294	-	(483,712)	200,000	100.00 %	1,232,939	6	1,232,939	None	
WSTH	3,799	8,402	-	-	-	-	(55)	313	-	-	-	3,799	100.00 %	8,660	2	8,660	None	
ANC	75	23,092	-	-	-	-	2,692	734	-	-	-	75	100.00 %	26,518	354	26,518	None	
WSCQ	-	154,630	-	-	-	-	(9,477)	4,411	-	-	-	-	100.00 %	149,564	37	149,564	None	
WSCL	-	24,847	-	-	-	-	(42,904)	480	-	-	-	-	100.00 %	(18,077)	-	(18,077)	None	
WTS	-	2,985	-	-	-	-	1,136	467	-	-	-	35	100.00 %	11,914	340	11,914	None	
JLH	57,889	87,893	-	25	-	-	(46,785)	322	94,943	-	(95,123)	57,889	41.08 %	41,250	1	41,250	None	
WNC	88,056	3,420,511	1,759	(4,799)	(120)	(4,799)	462,638	(22,628)	275,798	(325,318)	(35,150)	89,915	23.99 %	3,771,052	42	3,764,168	None	
Super Elite	1,725	19,514	-	-	-	-	(2)	163	-	-	-	1,537	23.90 %	13,899	6	13,899	None	
TPE	2,088	25,287	921	5,785	-	-	8,611	146	984	-	-	3,009	16.63 %	40,813	14	40,813	None	
HCL	-	73,769	-	-	-	-	377	375	-	-	-	-	30.00 %	74,521	-	74,521	None	
MAY.A.	557	9,553	-	-	(557)	(6,670)	(2,883)	-	-	-	-	-	%	-	-	-	None	
Formosa Precision Industries	69,260	421,313	-	-	-	-	81,949	3,447	-	-	-	69,260	28.00 %	465,872	9	593,281	None	
Berhad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Smartply, Inc.	2,724	46,964	-	-	-	-	(27,856)	(753)	-	-	-	2,724	23.68 %	18,355	7	18,355	None	
OPEL	2,760	7,038	-	-	-	-	(7,795)	757	-	-	-	2,760	19.91 %	(2,991)	(1)	(2,991)	None	
WIS	17,888	215,941	-	-	-	-	3,372	-	-	-	-	17,888	46.10 %	234,409	12	210,228	None	
Deferred Credits	-	(393,521)	-	-	-	-	1,137	-	(164,565)	-	-	-	-	-	-	-	-	None
Total	-	\$ 66,525,203	-	\$ 6,771,082	-	\$ (603,561)	\$ 5,790,462	\$ 1,448,280	\$ 555,963	\$ (629,926)	\$ (895,652)	-	-	-	\$ 78,951,951	-	-	-

**Wistron Corporation**  
**Statement of Short-Term Loans**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Bank</u>	<u>Period</u>	<u>Interest Rate</u>	<u>Amount</u>
Credit loan	China Construction Bank	2018/12/3-2019/1/3	2.85 %	\$ 3,073,300
Credit loan	Sumitomo Mitsui Banking Corporation	2018/11/30-2019/1/17	3.10 %	921,990
Credit loan	Sumitomo Mitsui Banking Corporation	2018/11/30-2019/1/17	3.10 %	921,990
Credit loan	MUFG Bank	2018/12/27-2019/1/24	0.69 %	3,514
Credit loan	MUFG Bank	2018/9/3-2019/1/10	0.69 %	5,548
Credit loan	MUFG Bank	2018/9/12-2019/1/10	0.69 %	6,935
Credit loan	MUFG Bank	2018/9/19-2019/1/10	0.69 %	24,966
Credit loan	MUFG Bank	2018/12/10-2019/1/10	0.69 %	16,644
Credit loan	MUFG Bank	2018/12/11-2019/1/10	0.69 %	11,096
Credit loan	MUFG Bank	2018/12/12-2019/1/10	0.69 %	36,201
Credit loan	MUFG Bank	2018/12/26-2019/1/10	0.69 %	30,514
Credit loan	MUFG Bank	2018/10/17-2019/1/9	3.18 %	2,400,247
Credit loan	MUFG Bank	2018/10/18-2019/1/9	3.18 %	436,409
Credit loan	Mizuho Bank	2018/8/6-2019/1/2	3.46 %	3,667,418
Credit loan	E.SUN Bank	2018/12/18-2019/2/15	3.25 %	1,536,650
Credit loan	E.SUN Bank	2018/12/18-2019/2/15	3.25 %	307,330
Credit loan	Mega Bank	2018/12/24-2019/1/23	3.44 %	1,183,220
Credit loan	Mega Bank	2018/12/24-2019/1/23	3.44 %	399,529
Credit loan	Mega Bank	2018/12/24-2019/1/23	3.44 %	33,806
Credit loan	Mega Bank	2018/12/26-2019/1/24	3.44 %	1,229,320
Credit loan	Mega Bank	2018/12/26-2019/2/24	3.44 %	1,275,420
Credit loan	DBS Bank	2018/10/15-2019/1/15	2.98 %	1,073,323
Credit loan	J.P. Morgan Private Bank	2018/12/17-2019/1/17	3.27 %	582,926
Credit loan	Standard Chartered Bank	2018/12/5-2019/1/7	3.42 %	1,075,655
Credit loan	First Bank	2018/12/24-2019/1/24	3.40 %	4,763,615
Credit loan	ING Bank	2018/12/10-2019/1/10	3.30 %	428,798
Credit loan	Standard Chartered Bank	2018/10/5-2019/1/7	3.42 %	273,832
Credit loan	Hua Nan Bank	2018/12/19-2019/1/8	3.00 %	255,084
Credit loan	Hua Nan Bank	2018/12/18-2019/1/7	3.00 %	2,135,944
Credit loan	United Overseas Bank	2018/12/4-2019/1/7	3.15 %	706,859
Credit loan	United Overseas Bank	2018/12/4-2019/1/7	3.15 %	1,137,121
Credit loan	HSBC Bank	2018/12/15-2019/2/11	3.51 %	485,892
Credit loan	HSBC Bank	2018/12/25-2019/1/25	3.00 %	1,413,718
Credit loan	Land Bank of Taiwan	2018/12/7-2019/1/7	3.08 %	1,229,320
Credit loan	Deutsche Bank	2018/11/27-2018/1/25	3.28 %	921,990
Credit loan	ANZ Institutional Bank	2018/11/23-2019/1/25	3.25 %	428,563
Total				<u>\$ 34,434,687</u>

**Wistron Corporation**  
**Statement of Notes and Accounts Payable**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Vendor H	\$ 15,681,699
Vendor A	6,844,877
Vendor D	6,677,950
Vendor I	5,283,001
Vendor K	5,037,558
Vendor F	5,022,934
Vendor J	4,319,573
Others (less than 5%)	<u>6,028,766</u>
Total	<u><u>\$ 54,896,358</u></u>

**Statement of Other Current Liabilities**

<u>Item</u>	<u>Amount</u>
Royalty payable	\$ 9,012,897
Accrued salaries and bonuses (including employees' and directors' compensation)	2,527,674
Supplier inventory reserve	1,439,207
Unearned revenue	3,848,753
Others (less than 5%)	<u>2,256,423</u>
Total	<u><u>\$ 19,084,954</u></u>

**Wistron Corporation**  
**Statement of Long-Term Loans**  
**December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Bank</u>	<u>Period</u>	<u>Interest Rate</u>	<u>Amount</u>
Long-term loans	Mega Bank and other 22 financial institutions – A	2018/05/23~2021/05/23	3.59%	\$ 9,588,696
Long-term loans	Mega Bank and other 22 financial institutions – B	2018/05/23~2021/05/23	3.64%	5,163,144
				<u>14,751,840</u>
Less: arrangement fees				<u>39,694</u>
Total				<u><u>\$ 14,712,146</u></u>

**Statement of other non-current liabilities**

<u>Item</u>	<u>Amount</u>
Defined benefit liabilities	\$ 1,118,869
Guarantee deposits	<u>1,005,120</u>
Total	<u><u>\$ 2,123,989</u></u>

**Wistron Corporation**  
**Statement of Cost of Sales**  
**January 1 to December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Raw materials	
Beginning balance of raw materials	\$ 548,814
Add: Purchases	725,909,396
Less: Ending balance of raw materials	(1,515,874)
Transferred	<u>(44,321)</u>
Raw materials used	724,898,015
Direct labor	211,322
Manufacturing overhead	<u>964,924</u>
Total manufacturing cost	726,074,261
Add: Beginning balance of work-in-process inventory	69,103
Less: Ending balance of work-in-process inventory	(186,817)
Transferred	<u>(19,846)</u>
Coast of finished goods	725,936,701
Add: Beginning balance of finished goods	16,706,077
Less: Ending balance of finished goods	(10,738,439)
Transferred	<u>(189,058)</u>
Subtotal	731,715,281
Add: Software royalty fees	3,286,277
Loss on valuation of inventories	140,276
Less: Income from sale of scraps	(32,395)
Gain from reversal of supplier inventory reserve	<u>(132,726)</u>
Total cost of sales	<u><u>\$ 734,976,713</u></u>

**Wistron Corporation**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2018**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling Expenses</u>	<u>Administrative Expenses</u>	<u>Research and Development Expenses</u>
Salary expenses	\$ 733,351	742,641	6,025,067
Repairs and Maintenance expenses	2,046	183,743	71,128
Freight	799,306	197	14,379
Professional service fees	39,616	654,401	137,212
Import and export expenses	154,524	-	22
Amortization	3,729	191,558	77,013
Welfare funds	389,613	-	-
Miscellaneous purchase	60,345	17,750	1,239,969
Others expenses	108,481	36,405	1,455,673
Others (less than 5%)	336,018	396,159	2,150,577
<b>Total</b>	<b>\$ <u>2,627,029</u></b>	<b><u>2,222,854</u></b>	<b><u>11,171,040</u></b>

**Others**

<u>Item</u>	<u>Description</u>
Statement of other current assets	Disclosure in Note 6(l)
Statement of movement of property, plant and equipment	Disclosure in Note 6(j)
Statement of movement of accumulated depreciation of property, plant and equipment	Disclosure in Note 6(j)
Statement of movement of intangible assets	Disclosure in Note 6(k)
Statement of other non-current assets	Disclosure in Note 6(l)
Statement of deferred tax assets and liabilities	Disclosure in Note 6(q)
Statement of the revenue	Disclosure in Note 6(u)
Statement of the other income	Disclosure in Note 6(v)
Statement of other gain and loss	Disclosure in Note 6(v)
Statement of financial costs	Disclosure in Note 6(v)

## WISTRON CORPORATION

### Notes to the Consolidated Financial Statements

Table 1 Financing to other parties  
(December 31, 2018)

No.	Financing Company	Counter-party	Financial Statement Account	Related party	Maximum Balances for the Period	Ending balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 2)	Transaction amounts	Reasons for short - term financing	Allowance for bad debt	Collateral		Financing Limits for Each Borrowing Company (Note 3 & 4)	Financing Company's Total Financing Amount Limits (Note 1)	Notes
													Item	Value			
0	The Company	WSPH	Other receivables	Yes	537,793	-	-	1.50%	1	877,864	Business Contact	-	-	-	6,894,519	34,472,598	Notes 1 - 3 & 4

(TWD : expressed in thousands)

(Note 1) The total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short - term financing shall not exceed 40% Company's net worth.

(Note 2) Financing purposes :

1 for entities the Company has business transactions with

2 for entities with short - term financing needs

(Note 3) Individual financing limit for entities the Company has business transactions with individual funding loan limits would vary according to the following circumstances:

(1) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 10% of net worth of the Company.

(2) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 40% and 5% of net worth of the borrower and the Company, respectively.

(3) For other borrowers, the amount available for financing shall not exceed 25% and 5% of net worth of the borrower and the Company, respectively.

(Note 4) For entities with short - term financing needs, the amount available for financing shall not exceed 10% of net worth of the Company.

WISTRON CORPORATION  
Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties  
(December 31, 2018)

No.	Endorser/ Guarantee Provider	Counter - party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2&4)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1&3)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiaries in Mainland China
		No.	Relationship with the company (Note 11)									
0	The Company	WIP	3	20,683,559	1,304,800	693,500	693,500	-	1.01%	68,945,197	Y	N
0	The Company	Covin (Note 5)	2	20,683,559	23,226	23,050	23,050	-	0.03%	68,945,197	Y	N
0	The Company	WGS shared with WAKS and WEKS (Note 5)	3	20,683,559	69,678	69,149	69,149	-	0.10%	68,945,197	Y	N
0	The Company	WCZ	2	20,683,559	521,014	508,138	508,138	-	0.74%	68,945,197	Y	N
0	The Company	WOK	3	20,683,559	918,420	307,330	307,330	-	0.45%	68,945,197	Y	N
0	The Company	WMKS	3	20,683,559	306,140	-	-	-	-	68,945,197	Y	Y
0	The Company	WKS	3	20,683,559	309,680	307,330	307,330	-	0.45%	68,945,197	Y	N
0	The Company	WBR	2	20,683,559	1,331,624	860,524	860,524	-	1.25%	68,945,197	Y	N
0	The Company	WIN	3	20,683,559	1,851,000	1,843,980	1,229,320	-	2.67%	68,945,197	Y	N
0	The Company	WSSG	2	20,683,559	6,447,650	6,423,197	5,962,202	-	9.32%	68,945,197	Y	N
0	The Company	The Company shared with WSSG	2	20,683,559	1,54,840	-	-	-	-	68,945,197	Y	N
0	The Company	WTX	2	20,683,559	3,871,000	1,997,645	1,997,645	-	2.90%	68,945,197	Y	N
0	The Company	WGTX	2	20,683,559	325,164	322,697	322,697	-	0.47%	68,945,197	Y	N
0	The Company	The Company shared with WGTX	2	20,683,559	619,360	-	-	-	-	68,945,197	Y	N
0	The Company	WTZ	3	20,683,559	2,744,338	2,727,170	2,727,170	-	3.96%	68,945,197	Y	Y
0	The Company	The Company shared with WTZ	3	20,683,559	309,680	-	-	-	-	68,945,197	Y	Y
0	The Company	WSMX	2	20,683,559	464,520	460,995	460,995	-	0.67%	68,945,197	Y	N
0	The Company	WGS	3	20,683,559	762,129	460,995	307,330	-	0.67%	68,945,197	Y	Y
0	The Company	WCZ shared with WSCZ (Note 6)	2 · 3	20,683,559	9,810,843	6,551,703	4,948,013	-	9.50%	68,945,197	Y	N
0	The Company	WYHQ	2	20,683,559	296,050	-	-	-	-	68,945,197	Y	N
0	The Company	WSCO	2	20,683,559	123,872	122,932	122,932	-	0.18%	68,945,197	Y	N
0	The Company	WMKS(Note 9)	3	20,683,559	619,360	614,660	614,660	-	0.89%	68,945,197	Y	Y
0	The Company	WMKS shared with WTZ and WGS (Note 7 and Note 9)	3	20,683,559	619,360	614,660	614,660	-	0.89%	68,945,197	Y	Y
0	The Company	WTR	2	20,683,559	30,968	30,733	30,733	-	0.04%	68,945,197	Y	N
0	The Company	The Company shared with WMKS, WSKS and WOK(Note 9)	3	20,683,559	918,420	-	-	-	-	68,945,197	Y	Y
0	The Company	WOK shared with WTZ and WSKS	3	20,683,559	1,083,880	1,075,655	1,075,655	-	1.56%	68,945,197	Y	Y
0	The Company	WTZ shared with WGS and WSKS	3	20,683,559	309,680	307,330	307,330	-	0.45%	68,945,197	Y	Y
0	The Company	WHK	3	20,683,559	30,968	-	-	-	-	68,945,197	Y	N
0	The Company	Covin shared with WSPH, WCZ, WMX, WITX, WYHQ and WYUDE (Note 8)	2 · 3	20,683,559	2,956,036	2,933,605	2,933,605	-	4.25%	68,945,197	Y	N
0	The Company	WAKS shared with WEKS, WCD and WCQ (Note 8)	3	20,683,559	1,689,164	1,676,345	1,676,345	-	2.43%	68,945,197	Y	Y
0	The Company	WMY shared with WEMY and WSMY	2 · 3	20,683,559	1,54,840	153,665	153,665	-	0.22%	68,945,197	Y	N
0	The Company	WYUDE	3	20,683,559	6,722,900	-	-	-	-	68,945,197	Y	N
0	The Company	Covin shared with WCZ, WYHQ and WYUDE	2 · 3	20,683,559	2,322,600	2,304,975	2,304,975	-	3.34%	68,945,197	Y	N
0	The Company	WGH	2	20,683,559	38,710	38,416	38,416	-	0.06%	68,945,197	Y	N
0	The Company	AGI	2	20,683,559	202,000	202,000	202,000	-	0.29%	68,945,197	Y	N
0	The Company	WSCL	2	20,683,559	340,648	184,398	184,398	-	0.27%	68,945,197	Y	N
0	The Company	WSCQ	2	20,683,559	1,912,700	1,905,446	307,330	-	2.76%	68,945,197	Y	Y
0	The Company	ANC	2	20,683,559	204,610	153,665	153,665	-	0.22%	68,945,197	Y	N
0	The Company	WSCZ	3	20,683,559	9,313	-	-	-	-	68,945,197	Y	N
0	The Company	WCHQ	2	20,683,559	60,000	60,000	60,000	-	0.09%	68,945,197	Y	N
0	The Company	WMH	2	20,683,559	600,000	430,733	200,000	-	0.62%	68,945,197	Y	N
0	The Company	WSCQ shared with WMCQ	2 · 3	20,683,559	462,550	460,995	460,995	-	0.67%	68,945,197	Y	Y
0	The Company	WMI shared with WIN	3	20,683,559	617,000	614,660	614,660	-	0.89%	68,945,197	Y	N
0	The Company	Covin shared with WSPH, WCZ, WMX and WITX (Note 10)	2 · 3	20,683,559	2,570,833	2,561,083	-	-	3.71%	68,945,197	Y	N

(TWD : expressed in thousands)



## WISTRON CORPORATION

### Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties  
(December 31, 2018)

No.	Endorsement/ Guarantee Provider	Counter-party of guarantee and endorsement		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2&4)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum amount for guarantees and endorsements (Note 1&3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		No.	Relationship with the company (Note 11)										
0	The Company	WAKS shared with WEKS, WCD and WCO (Note 10)	3	20,683,559	2,056,667	2,048,867	-	-	2.97%	68,945,197	Y	N	Y
0	The Company	WLB	3	20,683,559	200,000	200,000	-	-	0.29%	68,945,197	Y	N	N
0	The Company	WCL	2	20,683,559	600,000	600,000	-	-	0.87%	68,945,197	Y	N	N

(TWD : expressed in thousands)

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

(Note 3) The amount for guarantees and endorsements provided by the Company and its subsidiaries to other entities shall not exceed the Company's net worth, which was audited by Certified Public Accountant.

(Note 4) The amount for guarantees and endorsements provided by the Company and its subsidiaries to any individual entity shall not exceed 30% of the Company's net worth, which was audited by Certified Public Accountant.

(Note 5) The credit line shared by Cowin, WZS, WAKS and WEKS amounted to USD 3,000,000.

(Note 6) The credit lines shared by W CZ and W SCZ amounted to USD 161,000,000, while the maximum credit line for W SCZ was USD 300,000.

(Note 7) The credit line shared by WMKS, W TZ and WGKS amounted to USD 20,000,000, while the maximum credit line for each entity was USD 10,000,000.

(Note 8) The credit line shared by Cowin, WSPH, W CZ, W MX, W ITX, W YHQ, W YLDE, W AKS, WEKS, W CD and W CO amounted to USD 150,000,000.

(Note 9) Wistron InfoComm (Qingdao) Co., Ltd. in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation.

(Note 10) The credit line shared by Cowin, WSPH, W CZ, W MX, W ITX, W YHQ, W YLDE, W AKS, WEKS, W CD and W CO amounted to USD 150,000,000.

(Note 11) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

**WISTRON CORPORATION**  
**Notes to the Consolidated Financial Statements**

Table 3 Market Securities Held (excluding investment in subsidiaries, associates and joint ventures)  
(December 31, 2018)

(TWD : expressed in thousands)

Held Company Name	Marketable Securities Type and Name	Relationship with the company	Financial Statement Account	December 31, 2018				Highest percentage of shares during the period	Notes
				Number of shares	Book value	Percentage of Ownership	Fair Value		
The company	Fubon Chi - Hsiang Fund	-	Current financial assets at fair value through profit or loss	3,199	50,105	-	50,105	-	
The company	Alpha Networks Inc.	-	Non-current financial assets at fair value through other comprehensive income	19,448	321,861	3.58%	321,861	3.58%	
The company	Gamania Digital Entertainment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,126	84,483	0.64%	84,483	0.70%	
The company	Super Dragon Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,676	68,680	5.50%	68,680	5.50%	
The company	Ghahai Lighting Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	20,914	656,713	15.97%	656,713	15.97%	
The company	AKBOR Technology Corp.	-	Non-current financial assets at fair value through other comprehensive income	4,457	89,137	7.01%	89,137	7.08%	
The company	AOPen Inc.	-	Non-current financial assets at fair value through other comprehensive income	8,497	159,735	11.89%	159,735	11.89%	
The company	FineMat Applied Materials Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,589	125,526	7.61%	125,526	9.60%	
The company	Clientom Corp.	-	Non-current financial assets at fair value through other comprehensive income	917	15,462	1.44%	15,462	1.44%	
The company	Plexbio Corporation, LTD	-	Non-current financial assets at fair value through other comprehensive income	1,227	6,656	1.76%	6,656	1.76%	
The company	Howe advanced Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,000	-	13.91%	-	13.91%	
The company	AFC - KY	-	Non-current financial assets at fair value through other comprehensive income	2,791	9,816	4.50%	9,816	6.02%	
The company	Lite Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,143	-	22.27%	-	22.39%	
The company	Zeo, Inc.	-	Non-current financial assets at fair value through other comprehensive income	779	-	6.57%	-	6.57%	
The company	Phostek, Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,875	230	5.99%	230	5.99%	
The company	DDD Group PLC	-	Non-current financial assets at fair value through other comprehensive income	9,920	-	4.93%	-	4.93%	
The company	Janus Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	864	-	4.02%	-	4.02%	
The company	Vmedia Research	-	Non-current financial assets at fair value through other comprehensive income	2,000	-	7.69%	-	7.69%	
The company	Tube Inc.	-	Non-current financial assets at fair value through other comprehensive income	17,009	63,766	22.08%	63,766	22.08%	
The company	Audio Design Experts, Inc.	-	Non-current financial assets at fair value through other comprehensive income	546	-	18.47%	-	18.47%	
The company	Tactus Technology, Inc.	-	Non-current financial assets at fair value through other comprehensive income	7	-	0.09%	-	0.12%	
The company	Airdog, Inc.	-	Non-current financial assets at fair value through other comprehensive income	3,536	-	17.39%	-	17.39%	
The company	Videti Inc.	-	Non-current financial assets at fair value through other comprehensive income	226	-	3.58%	-	3.59%	
The company	Scenera, Inc.	-	Non-current financial assets at fair value through other comprehensive income	645	-	9.88%	-	15.52%	
The company	Jafo AT Fund IV L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	7,005	2.50%	7,005	2.50%	
The company	IP Cathay II, L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	6,225	6.45%	6,225	6.45%	
The company	IP Fund Six Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	6,000	59,928	10.71%	59,928	10.71%	
The company	Corsa Fund 2012, L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	12,400	20.00%	12,400	20.00%	
The company	Jafo AT Fund VI L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	656,225	6.67%	656,225	6.67%	
The company	Kibot Fund L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	61,895	12.78%	61,895	12.78%	
The company	Fenox Venture Company XIV, L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	3,791	99.00%	3,791	99.00%	
The company	Vertex V (C.I.) Fund Fund L.P.	-	Non-current financial assets at fair value through other comprehensive income	-	31,383	3.50%	31,383	3.53%	
The company	China Renewable Energy Fund, LP	-	Non-current financial assets at fair value through other comprehensive income	-	78,268	9.02%	78,268	9.02%	
The company	Lite Systems, Ltd.	-	Non-current financial assets at fair value through profit or loss	-	153,995	-	153,995	-	
The company	Audio Design Experts, Inc.	-	Non-current financial assets at fair value through profit or loss	-	85,189	-	85,189	-	
The company	Smartiply, Inc.	-	Non-current financial assets at fair value through profit or loss	-	143,582	-	143,582	-	

**WISTRON CORPORATION**  
**Notes to the Consolidated Financial Statements**

Table 4. Accumulated buying/selling of the same marketable securities for which the dollar amount at least \$300 million or 20% of paid - in capital (December 31, 2018)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Relationships with the Company	Beginning balance		Acquisition		Disposal		Ending balance		Notes
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	
The company	Fubon Chi - Hsiang Fund	Current financial assets at fair value through profit or loss	-	-	12,865	200,682	12,806	200,000	22,472	351,289	3,199	50,105	-
The company	Win Smart Stock	Equity - accounted investees	Note 1	subsidiary	384,065	28,268,692	100,000	2,994,400	-	-	484,065	31,910,286	-
The company	WYHQ Stock	Equity - accounted investees	Note 1	subsidiary	55,818	1,587,254	8,931	1,071,701	-	-	77,814	5,515,990	-
The company	WSSG Stock	Equity - accounted investees	Note 1	subsidiary	57,489	1,476,450	55,000	1,611,682	-	-	112,489	2,876,559	-
The company	WMH Stock	Equity - accounted investees	Note 1	subsidiary	120,000	997,173	80,000	800,000	-	-	200,000	1,232,939	-

(TWD : expressed in thousands)

Note 1: Issuance of common stock for cash.

**WISTRON CORPORATION**

**Notes to the Consolidated Financial Statements**

Table 5 Total purchases from or sales to related parties with the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Transaction details			Abnormal Transaction		Account/note receivable (payable)		
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment Terms	Unit price	Payment Terms	Balance	Percentage of total accounts / notes receivable (payable)
The company	AHH	Parent - subsidiary company	Sales	148,483,913	19.77%	OA90	-	-	33,866,802	14.66%
The company	YHQ	Parent - subsidiary company	Sales	53,815,919	7.17%	OA90	-	-	1,184,009	0.51%
The company	WTX	Parent - subsidiary company	Sales	27,537,504	3.67%	OA120	-	-	17,907,519	7.75%
The company	WIN	Parent - subsidiary company	Sales	4,081,551	0.54%	OA120	-	-	2,728,392	1.18%
The company	WTX	Parent - subsidiary company	Sales	3,041,850	0.41%	OA90	-	-	1,507,027	0.65%
The company	WCZ	Parent - subsidiary company	Sales	2,769,101	0.37%	OA120	-	-	3,359,730	1.45%
The company	WSCZ	Parent - subsidiary company	Sales	1,203,862	0.16%	OA90	-	-	246,711	0.11%
The company	WMKS	Parent - subsidiary company	Sales	805,688	0.11%	OA90	-	-	229,618	0.10%
The company	WSSG	Parent - subsidiary company	Sales	785,784	0.10%	OA90	-	-	247,832	0.11%
The company	WJP	Parent - subsidiary company	Sales	528,132	0.07%	OA90	-	-	259,601	0.11%
The company	WOSH	Parent - subsidiary company	Sales	394,052	0.05%	OA90	-	-	300,246	0.13%
The company	COWIN	Parent - subsidiary company	Purchases	165,163,007	23.05%	OA90	-	-	(39,522,610)	18.94%
The company	WEKS	Parent - subsidiary company	Purchases	134,634,141	18.79%	OA90	-	-	(22,610,465)	10.84%
The company	WCQ	Parent - subsidiary company	Purchases	125,473,272	17.51%	OA90	-	-	(32,185,622)	15.43%
The company	WCD	Parent - subsidiary company	Purchases	110,331,940	15.40%	OA30	-	-	(18,012,938)	8.63%
The company	WAKS	Parent - subsidiary company	Purchases	74,457,156	10.39%	OA90	-	-	(19,063,283)	9.14%
The company	WOK	Parent - subsidiary company	Purchases	55,383,848	7.73%	OA90	-	-	(19,588,264)	9.39%
The company	WSCQ	Parent - subsidiary company	Purchases	6,256,013	0.87%	OA60	-	-	(1,095,969)	0.53%
The company	WSKS	Parent - subsidiary company	Purchases	3,067,324	0.43%	OA60	-	-	(733,154)	0.35%
The company	WTZ	Parent - subsidiary company	Purchases	2,088,638	0.29%	OA60	-	-	(224,338)	0.11%
The company	WSPH	Parent - subsidiary company	Purchases	581,614	0.08%	OA30	-	-	(37,223)	0.02%
The company	WIN	Parent - subsidiary company	Purchases	320,036	0.04%	OA60	-	-	(16,966)	0.01%
The company	WTX	Parent - subsidiary company	Purchases	179,140	0.03%	OA60	-	-	(9,555)	-
The company	WMKS	Parent - subsidiary company	Purchases	109,859	0.02%	OA60	-	-	(18,589)	0.01%

## WISTRON CORPORATION

### Notes to the Consolidated Financial Statements

Table 6 Accounts receivable from related parties for which the dollar amount at least \$100 million or 20% of paid - in capital (December 31, 2018)

(TWD : expressed in thousands)

Company Name	Related Party	Relationship	Balance of receivables from related party	Turnover rate	Past - due receivables from related party		Amounts Received in Subsequent Period	Allowances for bad debt	Note
					Amount	Action taken			
The company	AIH	Parent - subsidiary company	33,866,802	471.42%	-	-	26,092,317	-	-
The company	WOK	Parent - subsidiary company	25,894,700	-	-	-	11,218,138	-	-
The company	WCQ	Parent - subsidiary company	25,598,962	0.16%	2,947	Collecting	12,877,401	-	-
The company	WEKS	Parent - subsidiary company	22,581,598	-	-	-	14,291,099	-	-
The company	WTX	Parent - subsidiary company	17,907,519	175.38%	7,425,163	Collecting	1,536,663	-	-
The company	COWIN	Parent - subsidiary company	13,377,428	0.40%	-	-	4,970,782	-	-
The company	WAKS	Parent - subsidiary company	9,809,045	0.07%	-	-	7,032,526	-	-
The company	WCZ	Parent - subsidiary company	3,359,730	81.27%	-	-	-	-	-
The company	WIN	Parent - subsidiary company	2,728,392	230.07%	836,961	Collecting	350,475	-	-
The company	WTX	Parent - subsidiary company	1,507,027	230.09%	413,799	Collecting	159,112	-	-
The company	WYHQ	Parent - subsidiary company	1,184,009	871.66%	54	Collecting	773,070	-	-
The company	WCD	Parent - subsidiary company	813,411	-	-	-	536	-	-
The company	WTZ	Parent - subsidiary company	449,213	-	206,633	Collecting	253,113	-	-
The company	WOSH	Parent - subsidiary company	300,246	259.88%	68,024	Collecting	34,138	-	-
The company	WJP	Parent - subsidiary company	259,601	170.37%	108,199	Collecting	38,228	-	-
The company	WSSG	Parent - subsidiary company	247,832	228.54%	95,403	Collecting	86,227	-	-
The company	WSCZ	Parent - subsidiary company	246,711	237.52%	-	-	66,811	-	-
The company	WMKS	Parent - subsidiary company	229,618	494.49%	-	-	124	-	-
Other receivable									
The company	WYHQ	Parent - subsidiary company	109,991	-	-	-	-	-	-
The company	WTX	Parent - subsidiary company	105,958	-	38,361	Collecting	-	-	-

**WISTRON CORPORATION**  
**Notes to the Consolidated Financial Statements**

Table 7 Information on investees (excluding investees in Mainland china)  
(For the year ended December 31, 2018, the following is the information on investees)

(TWD : expressed in thousands)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Shares	Ending balance		Highest percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance		Ratio of shares	Book value				
The company	WMX	Mexico	assembly and installation of LCD TV	2,851,329	2,851,329	293,454	100.00%	2,384,389	100.00%	490,012	-	
The company	WTX	U.S.A.	Customer service and sale	386,196	386,196	4,833	100.00%	1,504,164	100.00%	155,727	155,727	
The company	AHH	B.V.I.	Investment and holding, sale of information and communication equipment and components	6,041,478	6,041,478	347,486	100.00%	5,046,507	100.00%	-	-	
The company	COWIN	B.V.I.	Investment and holding, sale of information and communication equipment and components	6,030,379	6,030,379	188,394	100.00%	13,848,053	100.00%	945,722	945,722	
The company	Win Smart	B.V.I.	Investment and holding	14,894,651	11,900,251	484,065	100.00%	31,910,286	100.00%	(154,898)	(154,898)	
The company	WCL	Taiwan	Investment consultant and business management consultant	1,197,000	1,197,000	-	100.00%	1,700,779	100.00%	373,929	373,929	
The company	ISL	Taiwan	Safety and EMI test	14,603	14,603	2,094	100.00%	56,134	100.00%	3,913	3,913	
The company	WSPH	Philippines	Customer service and sale	2,853,068	2,853,068	139,507	100.00%	2,44,870	100.00%	25,204	25,204	
The company	WLLC	U.S.A.	Investment and holding	1,682,824	1,682,824	5,436	100.00%	2,200,862	100.00%	58,105	58,105	
The company	WVVS	B.V.I.	Investment and holding	398,221	398,221	12,005	100.00%	482,093	100.00%	54,027	54,027	
The company	WEH	Netherlands	Investment and holding	1,421,024	1,421,024	-	99.99%	449,040	99.99%	45,660	45,660	
The company	WBR	Brazil	Customer service	623,794	623,794	37,243	99.99%	330,243	99.99%	(60,030)	(60,030)	
The company	WTR	Turkey	Customer service	46,650	46,650	22	99.90%	82,197	99.90%	28,142	28,142	
The company	WGTX	U.S.A.	Recycling service of information technology products	859,795	859,795	13	100.00%	91,169	100.00%	(20,842)	(20,842)	
The company	WGHK	Hong Kong	Investment and holding	1,003,476	1,003,476	33,500	100.00%	273,954	100.00%	(51,754)	(51,754)	
The company	WMY	Malaysia	assembly and installation of LCD TV	775,360	775,360	80,000	100.00%	376,431	100.00%	(30,705)	(30,705)	
The company	WSMX	Mexico	Customer service	89,134	89,134	36,429	100.00%	(72,025)	100.00%	(9,737)	(9,737)	
The company	WSCO	Colombia	Customer service	91,561	91,561	559	100.00%	70,792	100.00%	17,570	17,570	
The company	WCH	U.S.A.	R&D	589,520	589,520	20	100.00%	566,194	100.00%	(64,317)	(64,317)	
The company	WYHQ	Taiwan	Research, development, sale, and service of information products	1,563,161	491,460	77,814	51.18%	5,515,900	52.62%	5,577,577	2,872,842	
The company	WEDH	Seychelles	Investment and holding	170,148	59,760	5,700	100.00%	2,733	100.00%	(6,932)	(6,932)	
The company	WCHK	Hong Kong	Investment and holding	225,494	225,494	58,446	100.00%	162,613	100.00%	110,880	110,880	
The company	WCHQ	Taiwan	Sale and maintenance of computer products and electronic information products	10,000	10,000	1,000	100.00%	(2,424)	100.00%	(1,912)	(1,912)	
The company	WCZ	Czech Rep.	Production, installation and repairing of electronic appliances	789,793	789,793	-	100.00%	2,485,415	100.00%	848,828	848,828	
The company	WEHK	Hong Kong	Investment and holding, development of Internet platform, provide, sale, and consultancy of the application service	247,954	247,954	11,426	100.00%	(11,044)	100.00%	(63,131)	(63,131)	
The company	AGI	Taiwan	Storage equipment, digital monitoring system, sales of digital multimedia, and related consultancy service	465,948	296,148	19,999	99.99%	184,532	99.99%	(10,054)	(10,053)	

**WISTRON CORPORATION**  
**Notes to the Consolidated Financial Statements**

Table 7 Information on investees (excluding investees in Mainland china)  
(For the year ended December 31, 2018, the following is the information on investees)

(TWD : expressed in thousands)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance		Highest percentage of shares during the period	Net income (losses) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares				
The company	WSSG	Singapore	Customer service	3,476,457	1,864,775	112,489	100.00%	2,876,359	(161,514)	(161,514)	-
The company	WDH	Taiwan	Investment and holding	600,000	600,000	63,431	100.00%	727,136	70,494	70,494	-
The company	WMH	Taiwan	Investment and holding	2,000,000	1,200,000	200,000	100.00%	1,232,939	(108,923)	(108,923)	-
The company	WSTH	Thailand	Maintenance of computer products	8,652	8,652	3,799	100.00%	8,660	(65)	(65)	-
The company	ANC	U.S.A.	Sales and maintenance of mobile phone	22,808	22,808	75	100.00%	26,518	2,692	2,692	-
The company	WSCL	Chile	Maintenance of computer products	31,710	31,710	-	100.00%	(18,977)	(42,904)	(42,904)	-
The company	WTS	U.S.A.	Development of new business and customer service	10,348	3,022	35	100.00%	11,914	1,136	1,136	-
The company	JLH	Taiwan	Sale of audio system of vehicle and components	578,889	578,889	57,889	41.03%	41,250	(114,027)	(46,785)	-
The company	WNC	Taiwan	Manufacturing and sale of wireless receiver products	585,487	586,286	89,675	23.99%	3,771,052	1,929,345	462,638	-
The company	Super Elite	Mauritius	Investment and holding	54,089	59,865	1,537	23.90%	13,899	(8)	(2)	-
The company	TPE	Taiwan	Wholesale and retail of electronic material	26,728	20,943	3,009	16.65%	40,813	37,730	8,611	-
The company	ISGTG	Seychelles	Research and design and sale of information technology products	160,025	160,025	5	40.00%	-	-	-	-
The company	ISGTC	Hong Kong	Research and design and sale of information technology products	160,000	160,000	5	40.00%	-	-	-	-
The company	HCL	B.V.I.	Investment and holding	96,045	96,045	-	30.00%	74,521	1,257	377	-
The company	Formosa Precision Industries Berhad	Malaysia	Manufacturing of audio and hooter	513,565	513,565	69,260	28.00%	463,872	227,292	81,949	-
The company	Shanuply Inc.	U.S.A.	Management of internet optimization	62,710	62,710	2,724	23.68%	18,355	(104,462)	(27,856)	-
The company	Optimus Electronics Limited	India	Manufacturing of smart phone and tablet	13,596	13,596	2,760	19.91%	-	(54,055)	(7,795)	-
The company	WIS	Taiwan	Wholesale and retail of information software, manufacturing of computer products and components	214,656	214,656	17,888	46.10%	224,409	7,314	3,372	-

**WISTRON CORPORATION**  
**Notes to the Consolidated Financial Statements**

Table 8 Information on investment in Mainland China  
1. Information on investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of investment	Accumulated Investment from January 1, 2018	Investment Flows		Accumulated Investment from Taiwan as of December 31, 2018	Net income (loss) of the investee	Highest percentage of shares during the period	Direct / indirect shareholding (%) by the Company	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated (invested) Remains of Earnings as of December 31, 2018	Note
					Outflow	Inflow								
Wistron InfComm (Zhongshan) Corporation	Assembly and sales of computer, server, and LCD TV	7,594,068 (Note1)	(Note2)32	7,594,179 (Note1)	-	-	7,594,179	912,408	100.00%	100.00%	912,408	17,484,717	-	
Wistron InfComm (Shanghai) Corporation	Research, development, design, testing and sales of computers and accessories	31,691	(Note2)32	31,691	-	-	31,691	2,268	100.00%	100.00%	2,268	52,072	-	
Wistron InfComm Technology (Zhongshan) Co., Ltd.	Assembly and sales of LCD Monitor	67,510	(Note2)32	67,510	-	-	67,510	53,138	100.00%	100.00%	53,138	395,497	-	
Wistron InfComm (Kunshan) Co., Ltd.	Assembly and sales of Notebook computer	1,085,212 (Note2)	(Note2)32	1,085,212 (Note2)	-	-	1,085,212	(444,574)	100.00%	100.00%	(444,574)	9,761,342	-	
Wistron InfComm Manufacturing (Kunshan) Co., Ltd.	Sales of mobile phone	939,420	(Note2)32	939,420	-	-	939,420	331,392	100.00%	100.00%	331,392	8,924,697	-	
Wistron Service (Kunshan) Corp.	Maintenance of computer products	12,287	(Note2)32	12,287	-	-	12,287	19,882	100.00%	100.00%	19,882	626,000	-	
SMS (Kunshan) Co., Ltd.	Maintenance of computer products	806,230	(Note2)32	806,230	-	-	806,230	95,094	100.00%	100.00%	95,094	1,081,211	-	
Wistron InfComm (Taizhou) Co., Ltd.	Assembly and sales of LCD Monitor and Touch display module	4,929,489	(Note2)32	4,929,489	-	-	4,929,489	(652,800)	100.00%	100.00%	(652,800)	(3,164,167)	-	
WIS PRECISION (KUNSHAN) CO., LTD.	Production and sales of computer shell mold plastic	795,220	(Note2)32	231,014	-	-	231,014	(55,653)	28.88%	28.88%	(16,072)	174,135	-	
T-CONNS PRECISION(ZHONGSHAN) CORPORATION	Production of telecommunication equipment and supplies for Special purpose.	234,991	(Note2)32	85,873	-	-	85,873	9,892	23.90%	23.17%	2,855	469	-	
Wistron Optonics (Kunshan) Co., Ltd.	Production of communication products and components	3,676,442	(Note2)32	3,632,613 (Note4)	-	-	3,632,613	86,528	100.00%	100.00%	86,528	3,256,737	-	
Wistron Optonics (Shanghai) Co., Ltd.	Sales of communication products and components	131,044	(Note2)32	131,044	-	-	131,044	12,823	100.00%	100.00%	12,823	69,516	-	
ISEEH-YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD.	Production and management of new-type electronic components	426,055 (Note18)	(Note2)32	79,722	-	-	79,722	31,264	26.08%	26.08%	-	-	-	
LIAN-YI PRECISION (ZHONGSHAN) INC.	Manufacturing of high-temperature resistant insulation materials and molded insulation products, Assembly of computer, server and their peripheral equipment.	1,124,931	(Note2)32	332,795	-	-	332,795	(244,040)	28.88%	28.88%	(70,479)	(291,483)	-	
WIS PRECISION (TAIZHOU) CO., LTD.	Sales of new-type alloy(Mg-X-AL) material	2,220,502	(Note2)32	643,191	-	-	643,191	247,168	28.88%	28.88%	71,382	748,505	-	
Hitec Technology (Kunshan) Co., Ltd.	Production and sales of electronic high-tech nano material	516,917	(Note2)32	128,815	-	-	128,815	37,069	20.02%	20.02%	7,821	167,300	-	
Wistron Advanced Material(Kunshan) Co. Ltd	Research, manufacturing, and sales of electronic regeneration continuously plastic goods	953,939	(Note2)32	953,939	-	-	953,939	(484,680)	100.00%	100.00%	(48,680)	257,151	-	
Zongshan Global Lighting Technology Limited Co.	Sales of LGP, backlight and related light-electronic components	445,825	(Note2)32	72,007	-	-	72,007	NA	15.97%	15.97%	-	73,621	-	
Wistron InfComm (CHONGQING) Co.Ltd	Assembly and sales of Notebook computer	583,823	(Note2)32	583,823	-	-	583,823	459,484	100.00%	100.00%	459,484	4,116,903	-	
Wistron Investment (Sichuan) Co., Ltd.	Investment and holding	2,501,566	(Note2)32	2,501,566 (Note5)	-	-	2,501,566	4,249	100.00%	100.00%	4,249	5,654,999	-	
Wistron InfComm (Chengde) Co., Ltd.	Assembly and sales of Notebook computer	2,396,524	(Note2)32	2,396,524 (Note5)	-	-	2,396,524	2,591	100.00%	100.00%	2,591	5,542,993	-	
Wistron InfComm Technology Service (Kunshan) Co., Ltd	Research and development of electronic calculator and other electronic products	59,042	(Note2)32	59,042	-	-	59,042	11,522	100.00%	100.00%	11,522	117,804	-	
Westek Information Technology Services Co., Ltd., Shanghai	Development of internet platform, providing application services, consulting services	31,324	(Note2)32	22,449 (Note19)	-	-	22,449	(3,575)	100.00%	100.00%	(3,575)	6,780	-	
Shenzhen Keem High Technologies Ltd	Manufacturing of digital photo films, MP3, MP4 and GPS	198,648	(Note2)32	31,110 (Note6)	-	-	31,110	NA	15.17%	15.17%	-	-	-	
SMS InfComm (Chongqing) Co., Ltd.	Sales and distribution of computer products and components	126,838	(Note2)31	126,838	-	-	126,838	(9,477)	100.00%	100.00%	(9,477)	149,564	-	
Kunshan ChangShun Precision Die Casting Co., Ltd.	Sales and distribution of Zn:Al alloy precision casting process, LCD Mould of stamping frame and Electric tool series.	173,981	(Note2)33	-	-	-	-	(6,321)	15.27%	14.96%	(225)	8,212	-	
Wiswyn Technology Service Kunshan Ltd.	Sales of electronic products	10,659	(Note2)33	-	-	-	-	24,025	57.55%	57.44%	13,788	26,252	-	
ICA Inc.	Research, design, manufacturing, sales, and maintenance of intelligent terminals	91,991	(Note2)32	-	-	-	-	(16,940)	20.00%	20.00%	(3,388)	10,651	-	
Wistron Medical Tech (Chongqing) CO., LTD.	Production of medical equipments	94,560	(Note2)33	-	-	-	-	(26,493)	100.00%	100.00%	(26,493)	50,615	-	

(TWD : expressed in thousands)



## WISTRON CORPORATION Notes to the Consolidated Financial Statements

### 2. Limitation on investment in Mainland China

(TWD : expressed in thousands)		
Company	Accumulated Investment in Mainland China as of December 31, 2018 (Note1) - (Note2) - (Note3) - (Note4) - (Note5) - (Note7) - (Note8) - (Note9) - (Note10) - (Note11) - (Note12) - (Note13) - (Note14) - (Note19) - (Note21) - (Note22) and (Note23)	Investment Amounts Authorized by Investment Commission, MOEA (Note4) - (Note5) and (Note20)
Wistron Corporation	25,380,324 (USD 816,162,330)	31,229,186 (USD 1,015,562,541)&(CNY 4,000,000)
		Upper Limit on Investment (Note16)

(Note 1) The Company invested the amount of USD 5,150,000 (approximately TWD 149,551) in BRIVISION OPTRONICS (L) CORP, acquiring 50.99% of its shares, therefore, resulting in an indirect ownership of BrV Vision first quarter of 2015. Therefore, 100% ownership of BrV Vision Optronics (Zhongshan) Corp. was transferred to Cowin Worldwide Corporation in the second quarter of 2014.

(Note 2) Wistron InfoComm (Zhongshan) Corporation, in which the Company indirectly owned 100% of its shares, merged with BrV Vision Optronics (Zhongshan) Corp. in the second quarter of 2015, resulting in an increase in investment capital of Wistron InfoComm (Zhongshan) Corporation to USD 234,000,000 (approximately TWD 7,394,179), which was authorized by Investment Commission on December 26, 2016.

(Note 3) Wistron InfoComm (Kunshan) Co., Ltd. merged with Wistron InfoComm Technology (Kunshan) Co., Ltd. in the first quarter of 2015, both entities are 100% owned subsidiaries of the Company, resulting in an increase in the investment capital of Wistron InfoComm (Kunshan) Co., Ltd. to USD 32,000,000 (approximately TWD 1,085,212), which was authorized by the Investment Commission on January 23, 2015.

(Note 4) On January 24, 2005, the Company applied to the Investment Commission for the revision of the amount of its indirect investment in T - CONN PRECISION (Zhongshan) CORPORATION from USD 638,000 to USD Commission on May 17, 2012.

(Note 5) The Company indirectly invested in the capital of Wistron Optronics (Kunshan) Co., Ltd. and Wistron optronics (Shanghai) Corporation, through Wistron Optronics Corporation (WOC) and its subsidiary, WinDisplay, On August 17, 2007, WOD Co., Ltd. was renamed as Wistron Optronics Corporation.

(Note 6) The investment in Wistron InfoComm (Chengde) Co., Ltd., through Wistron Investment (Sichuan) Co., Ltd., was authorized by the Investment Commission. The amount of accumulated investment in Mainland China had increased by USD 83,500,000 (approximately TWD 2,501,366).

(Note 7) The board of directors of Shenzhen Keen High Technologies Ltd., in which the Company indirectly invested in, resolved to apply to the Court for bankruptcy on December 22, 2014. The case is still in progress.

(Note 8) Shenzhen Jin Zhi Feng Electronic Co., Ltd. in which the Company indirectly invested in, had completed the cancellation of its business registration. The said investment capital amounting to USD 2,331,508.7, which entitled the Company to a full ownership of the entity, had been remitted to KJF Technology Ltd. and was authorized by the Investment Commission on January 12, 2015. However, according to the regulation, the remittance to Mainland China amounting to USD 104,452 (approximately TWD 3,155) was included in the accumulated investment amount.

(Note 9) Dong Guan Comtek Electronics Co., Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to CNY 449,415.79, which entitled the Company to a full ownership of the entity, had been remitted to Hong Kong Comtek Electronics Co. Ltd. and was authorized by the Investment Commission on July 15, 2013. However, according to the regulation, the remittance to Mainland China amounting to USD 179,344 (approximately TWD 5,371), was included in the accumulated investment amount.

(Note 10) Top - Glory Electronic (Zhongshan) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 18,268.22, which entitled the Company to an 11% ownership of the entity, had been remitted to Super Elite Ltd. and was authorized by the Investment Commission on March 25, 2010. However, according to the regulation, the remittance to Mainland China amounting to USD 33,000 (TWD 1,071) was included in the accumulated investment amount.

(Note 11) Changshu Pu Yuan electronics Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 3,895,791.97, which entitled the Company to a full ownership of the entity, had been remitted to Park Orchid, which was liquidated afterwards. The capital incurred from the liquidation of Park Orchid amounting to USD 2,461,084.65 was remitted to Win Smart. With that said, the capital amount of USD 2,461,084.65 entitled the Company to a 46.875% ownership of Win Smart. Therefore, the accumulated investment amount in Mainland China was revised to USD 2,812,500 on April 24, 2012, and was authorized by the Investment Commission on April 30, 2012. However, according to the regulation, the remittance to Mainland China amounting to USD 2,812,500 (TWD 84,714) was included in the accumulated investment amount.

(Note 12) Wistron optronics (Shanghai) Corporation, in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 58,823.63, which entitled the Company to a full ownership of the entity, had been remitted to WDC and was authorized by the Investment Commission on December 16, 2011. However, according to the regulation, the remittance to Mainland China amounting to USD 1 was included in the accumulated investment amount.

(Note 13) Wistron Service (Shanghai) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 6,507.67 (approximately TWD 196), which entitled the Company to a full ownership of the entity, had been remitted to Taiwan and was authorized by the Investment Commission on March 6, 2012. The amount resulted in a decrease in the authorized investment amount. Also, the cancellation of investment was authorized by the Investment Commission on December 8, 2011. However, according to the regulation, the remittance to Mainland China amounting to USD 133,492.33 (approximately TWD 4,350) was included in the accumulated investment amount.

## WISTRON CORPORATION

### Notes to the Consolidated Financial Statements

(Note 13) WIT Precision (Taizhou) Co., Ltd., in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 18,577.5 (approximately TWD 556), which entitled the Company to a 30% ownership of the entity, had been remitted to Taiwan and was authorized by the Investment Commission on September 18, 2012. The amount resulted in a decrease in the authorized investment amount. Also, the cancellation of investment of the Company had already been authorized. However, according to the regulation, the remittance amounting to USD 1,241,422.5 (approximately TWD 39,449) was included in the accumulated investment amount.

(Note 14) Zhongshan Deyi Electrical Equipment Co., Ltd.(Deyi), in which the Company indirectly invested, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 525,684.97, which entitled the Company to a full ownership of the entity, had been remitted to FULLERTON LTD. On October 22, 2013, the Company applied for a revision of its indirect investment in Deyi amounting to USD 161,314, which had been authorized by the Investment Commission on October 28, 2013. Afterwards, the cancellation of investment of the Company was authorized by the Investment Commission on November 4, 2013. However, according to the regulation, the remittance to Mainland China amounting to (approximately TWD 5,121) was included in the accumulated investment amount.

(Note 15) Translated using the spot rates on December 31, 2018.

(Note 16) On December 6, 2017, the Company obtained the Certificate of Qualified Operating Headquarters, which was issued by the Department of Industrial Development, Ministry of Economic Affairs, in accordance with the revised "Approval Guidelines for Engagement in Investments or Technological Cooperation in Mainland China" and "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" that was announced on August 22, 2008. Therefore, the Company was not restricted or limited, in anyway, regarding the investment amount in Mainland China.

(Note 17) Wistron InfoComm (CHONGQING) Co., Ltd., one of the fully directly owned subsidiaries of the Company, used its own capital to invest in ICA Inc; the transaction was not restricted or limited, in anyway, regarding the investment amount in Mainland China.

(Note 18) HSIEH - YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD. merged with BaVision Optronics (Zhangshan) Corp. in the fourth quarter of 2016, both entities are fully owned subsidiaries of the Company, resulting in an increase in the investment capital of HSIEH - YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD. to USD 2,452,912 (approximately TWD 79,722), which was authorized by the Investment Commission on November 30, 2016.

(Note 19) The Company invested the amount of USD 16,961 (approximately TWD 513) in WIEDU HONG KONG LIMITED, acquiring 18.73% of its share; therefore, resulting in an indirect ownership of Weshek Information Technology Services Co., Ltd., Shanghai (Weshek), which entitled the Company to a full ownership of Weshek.

(Note 20) On December 18, 2017, the Company indirectly invested the amount of USD 200,000,000, through Win Smart Co., in WISTRON INVESTMENT (JIANGSU) CO. LTD. to invest in Wistron InfoComm Manufacturing (Kunshan) Co., Ltd., making Wistron (Jiangsu) a holding company in Mainland China. However, the investment in Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. has yet to be carried out.

(Note 21) Wistron InfoComm (Qingdao) Co., Ltd. Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 7,123,297.09, which entitled the Company to a full ownership of the entity, had been remitted to WISTRON HONG KONG HOLDING LIMITED, and was authorized by the Investment Commission on March 14, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 6,000,000 (approximately TWD 179,436), was included in the accumulated investment amount.

(Note 22) Wiyynn Technology Service (Beijing) Limited, in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to CNY 7,543.21, which entitled the Company to a full ownership of the entity, had been remitted to WIN SMART CO., LTD. and was authorized by the Investment Commission on May 18, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 2,899,788.94 (approximately TWD 86,742) was included in the accumulated investment amount.

(Note 23) ANWITH (Kunshan) CO., LTD. in which the Company indirectly invested in, had completed the cancellation of its business registration and liquidation. The said investment capital amounting to USD 2,023,982.58, which entitled the Company to a full ownership of the entity, had been remitted to WISTRON HONG KONG LIMITED, and was authorized by the Investment Commission on October 19, 2018. However, according to the regulation, the remittance to Mainland China amounting to USD 3,000,000 (approximately TWD 89,256) was included in the accumulated investment amount.

(Note 24) Ways to Invest in Mainland China :

1. Direct investment in Mainland China.
2. Indirect investment in Mainland China through a foreign company
3. Others

(Note 25) Recognized share of associates and joint ventures accounted for equity method :

1. The financial statements of the investee company were reviewed by the global accounting firm in cooperation with R.O.C. accounting firm.
2. The financial statements of the investee company were reviewed by the Company auditor
3. Others

### 3. Significant transactions

The significant transactions of the entities in China in which the Company, directly or indirectly owned, refer to table 1 to table 8.

**6.6 Any financial distress experienced by the company or its affiliated enterprises and impacts on the company's financial position, in the last year up till the publication date of this annual report** : None.

# **7. Review of Financial Conditions, Financial Performance, and Risk Management**

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## **7.1 Analysis of Financial Status**

### **7.1.1 2018 vs. 2017 financial analysis**

Unit : NT\$ thousands

Item	Year	2018.12.31	2017.12.31	Difference	
				Amount	%
Current assets		275,427,144	270,205,662	5,221,482	1.93
Net property, plant and equipment		42,868,387	36,653,350	6,215,037	16.96
Intangible assets		1,077,197	1,057,624	19,573	1.85
Other assets		19,729,847	18,736,746	993,101	5.30
Total assets		339,102,575	326,653,382	12,449,193	3.81
Current liabilities		239,878,889	254,191,674	(14,312,785)	(5.63)
Non-current liabilities		25,692,104	6,040,646	19,651,458	325.32
Total liabilities		265,570,993	260,232,320	5,338,673	2.05
Common stock		28,421,220	27,486,880	934,340	3.40
Capital surplus		22,863,619	22,076,225	787,394	3.57
Retained earnings		22,321,828	21,326,529	995,299	4.67
Other equity		(4,128,234)	(4,010,255)	(117,979)	2.94
Treasury stock		(533,236)	(1,753,005)	1,219,769	(69.58)
Equity attributable to owners of the company		68,945,197	65,126,374	3,818,823	5.86
Non-controlling interests		4,586,385	1,294,688	3,291,697	254.25
Total equity		73,531,582	66,421,062	7,110,520	10.71

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

- (1) The increase in non-current liabilities was mainly due to increase in long-term loans.
- (2) The decrease in treasury stock was mainly due to transferring treasury stock to employees and retired
- (3) The increase in non-controlling interests was mainly due to the increase of net profit from subsidiaries.

## 7.2 Analysis of Financial Performance

### 7.2.1 2018 vs. 2017 operating result analysis

Unit : NT\$ thousands

Item \ Year	2018	2017	Increasing (decreasing) amount	Change percentage (%)
Net revenues	889,536,347	836,081,023	53,455,324	6.39
Cost of sales	851,977,091	804,441,620	47,535,471	5.91
Gross profit	37,559,256	31,639,403	5,919,853	18.71
Operating expenses	26,793,240	25,725,592	1,067,648	4.15
Operating income	10,766,016	5,913,811	4,852,205	82.05
Non-operating income and expenses	(1,107,178)	244,600	(1,351,778)	(552.65)
Profit before tax	9,658,838	6,158,411	3,500,427	56.84
Income tax expenses	2,373,649	1,796,920	576,729	32.10
Net profit	7,285,189	4,361,491	2,923,698	67.03
Other comprehensive income, net of tax	518,936	(4,821,073)	5,340,009	(110.76)
Total comprehensive income	7,804,125	(459,582)	8,263,707	(1,798.09)
Net profit attributable to owners of the Company	4,908,472	3,885,516	1,022,956	26.33
Total comprehensive income attributable to owners of the Company	5,350,283	(932,172)	6,282,455	(673.96)

### 7.2.2 Analysis for change item amount change more than 20%

- (1) Increase in operating income : The increase was mainly due to the increase of net revenues.
- (2) Decrease in non-operating income and expenses: The decrease was mainly due to the increase of finance costs for interest expenses .
- (3) Increase in profit before tax, net profit and net profit attributable to owners of the Company : The increase was mainly due to the increase of operating income.
- (4) Increase in other comprehensive income, net of tax: The increase was mainly due to the increase of exchange differences on translation of financial statements.
- (5) Increase in income tax expenses: The increase was mainly due to the increase of profit before tax.
- (6) Increase in total comprehensive income and total comprehensive income attributable to owners of the Company: The increase was mainly due to the increase of other comprehensive income, net of tax.

### **7.3 Cash flow**

Change in consolidated cash flow in 2018:

Unit:NT\$thousands

Cash beginning balance	Cash flow from operating activities	Cash flow (used in) investing & financing activities	Cash ending balance	Plan for cash ending balance shortage	
				Investment plan	Financing plan
65,986,117	4,156,087	(26,613,181)	43,529,023	-	-

#### **7.3.1 Analysis of cash flow in 2018**

- (1) Operating Activities : Mainly due to continuous cash flow generated from operation profitability in 2018.
- (2) Investing Activities : Cash flow-out mainly caused by the increase in fix asset acquisition and other assets-noncurrent.
- (3) Financing Activities : Cash flow-out mainly caused by the repayments of short-term loans.

**7.3.2 Liquidity improvement plan** : The Company showed no signs of liquidity deficit.

#### **7.3.3 Analysis of cash liquidity in the coming year**

To accommodate the financial market fluctuation and the funding needs for operation and investments, Company manage prudently the cash and other financial tools with the principle of maintaining the liquidity and safety.

## **7.4 Major Capital Expenditures and Impact on Financial and Business**

### **7.4.1 Major Capital Expenditure and Sources of Funding**

Unit : NT\$ thousands

Plan	Actual or planned source of capital	Total amount as of Dec 31, 2018	Status of Actual Use of Capital	
			2017	2018
Production facilities and Equipment	Cash Flow generated from operation	15,977,581	7,411,710	8,565,871

#### **7.4.2 Expected Future Benefits**

The investment in capital expenditure was for business growth as well as to expand capacity and to enhance productivity.

## **7.5 Investment Policies**

The investments the company made were for long-term strategic purpose. In 2018, the investment income recognized under equity method was NT\$ 409,226 thousands. The company will continue making long-term strategic investments through prudent assessment in order to reinforce its competitiveness.

## **7.6 Risk Management**

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

Unit:NT\$ thousands

<b>Items</b>	<b>2017</b>	<b>2018</b>
Interest Income	1,078,725	1,071,586
Interest Expense	2,756,041	4,747,543
Exchange loss/gain	2,746,378	(431,584)

By the end of 2018, the cash and short-term investment balance of the Company totaled about NT\$43.5 billion with short term borrowings about NT\$61.0 billion. We reinvested the surplus cash after considerable evaluation of risks involved, while watching closely the change of bank lending rates on a regular basis.

Around 99% of the Company's revenue is from exports and most is in U.S. dollars, and most of the Company's material purchases use U.S. dollars as well. Therefore, the majority of Company's foreign currency operating exposure can be mutually offset. In addition, the Company has used regular hedge activities to manage its foreign exchange risk, under proper risk management guidelines. Due to the fluctuation of the foreign exchange rate and swaps, the Company experienced a foreign exchange loss of approximately NT\$432 million last year.

FED raised its standard rate four times in 2018 and caused an increase in the Company's interest expense.

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

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



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

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

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

### **7.6.3 Future R&D Development Plan and Investment**

All R&D plans for 2018 have been implemented and put in use in volume production or have been submitted to the customers for verification after internal testing. We will continue to invest on R&D for 2019 to meet business growth needs. The estimated investment ratio of R&D expense to revenue will be in a range from 1.4% to 2% in 2019.

### **7.6.4 Effects of and Responsive actions to Changes in Policies and Regulations Relating to Finance and Operation**

The Company had done all necessary and appropriate actions to the significant changes in international and inland policies and regulations relating to finance and operation.

### **7.6.5 Effects of and Responsive actions to Changes in Technology and the Industry Relating to Finance and Operation**

There was no significant impact on finance and operation in the Company relating to recent technological and industrial changes.

### **7.6.6 Effects of and Responsive actions to Changes in Corporate Image Change on Our Risk Management**

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

### **7.6.7 Expected benefits, risks and responsive measures of planned mergers or acquisitions**

There were no mergers or acquisitions occurred in 2018.

### **7.6.8 Expected Benefits and Risks Related to Plant Facility Expansions**

In establishing worldwide operation and arranging production service in the most appropriate location to meet the needs of customers, Wistron starts setting up India new factory in 2018. It allows Wistron to take full advantage of the strengths of each country, enabling us to tailor-make products and service for different customers.

Having another new factory will increase manufacturing overhead, for example purchasing equipment and recruiting / training employees. It will have negative finance impact if company cannot increase necessary income to cover the above mentioned overhead. In response to this risk, Wistron not only commits to upgrade the manufacturing processes, improve product quality, save resources, and provide better services, but also strengthens its cooperation with customers to earn more business opportunities.

### **7.6.9 Supply and Distribution Concentration**

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

### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

The shareholdings of the Company's directors have been stable during the last few years, and there have been no major transfers or swaps of shares.

### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

The company has a very healthy shareholder's structure: 38.87% stock shares are held by foreign investors, 8.93% by domestic institutional investors, 0.86% by treasury shares. They possess around 48.66% in the aggregate. In addition, the healthy shareholding structure of the Company lowers the risk of key management changes. We will do our best effort to improve corporate management to reward our shareholders with better performance. This is the key to our company's sustained development.

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

- (1) In June of 2016, Alacritech filed an action against the Company in the United States District Court for the Eastern District of Texas. The accused products are servers and network interface devices. The litigation has been stayed pending the decision of the US Patent Trial and Appeal Board on IPR proceedings to review certain Alacritech's patent claims.

- (2) In October 2017, Phenix Longhorn, LLC initiated a patent litigation against the Company in the United States District Court for the Eastern District of Texas. The accused products are digital televisions. The case has not been heard in Court yet, so the Company cannot predict the final result of the litigation. The Company will keep working with its US counsels and defending vigorously.
- (3) In March 2017, Hitachi Maxell LTD (Japan) initiated an arbitration in New York City in accordance with the UNCITRAL Arbitration Rules for breach of the digital televisions related Patent License Agreement between the parties. The Company has been working closely with its U.S. attorneys to defend the case, while the second hearing has not been held in front of the Tribunal yet. Thus, the Company cannot predict the final result of this arbitration.

### **7.6.13 Information Security**

#### **A. Information Security Policy**

In implementing ISO information security management, Wistron focuses on regulation compliance, standardize processes, employees training and deploy security technology.

It strengthens the security on data, information systems, and network. Moreover, it can protect critical business processes and systems from human-induced risks such as theft, improper use, leakage, alteration or destruction which caused by negligence, deliberate or natural disasters.

With this, we can ensure the commitment to shareholders/customers and company's business continuity.

#### **B. Effective Functioning and Continuous Improvement Information Security Management**

In order to prove security management effectiveness, we certified ISO 27001 ISMS (Information Security Management System) and apply continuous improvement plan. The management mechanism includes:

- (1) Develop related standards and SOP to enable the operations of the security management;
- (2) Apply security technologies to identify, protect, detect, respond and recover timely and effectively;
- (3) Establish a contingency and recovery operation process for the security incidents, so as to quickly isolate and eliminate threats and minimize the impact;
- (4) Rehearse critical application system disaster recovery plan to verify the effectiveness;
- (5) Enhance information security awareness and comprehensive of employee continuously by social engineering simulation and on-line training;
- (6) Perform internal and external audits periodically.

### C. The Information Security and Network Risk Assessment

We refer to internal and external security issues, security incidents and audit results to perform risk assessment regularly, and come out improvement or countermeasure plan to eliminate or reduce risks.

### D. The Impact and Response for Major Information Security Incidents

No major security incidents in 2018.

Because of the ever-changing threats and attack techniques, we will pay attention on security information technology and apply proper, timely defense or solution. To ensure management with a consistently effective approach to dealing with information security weaknesses and events.

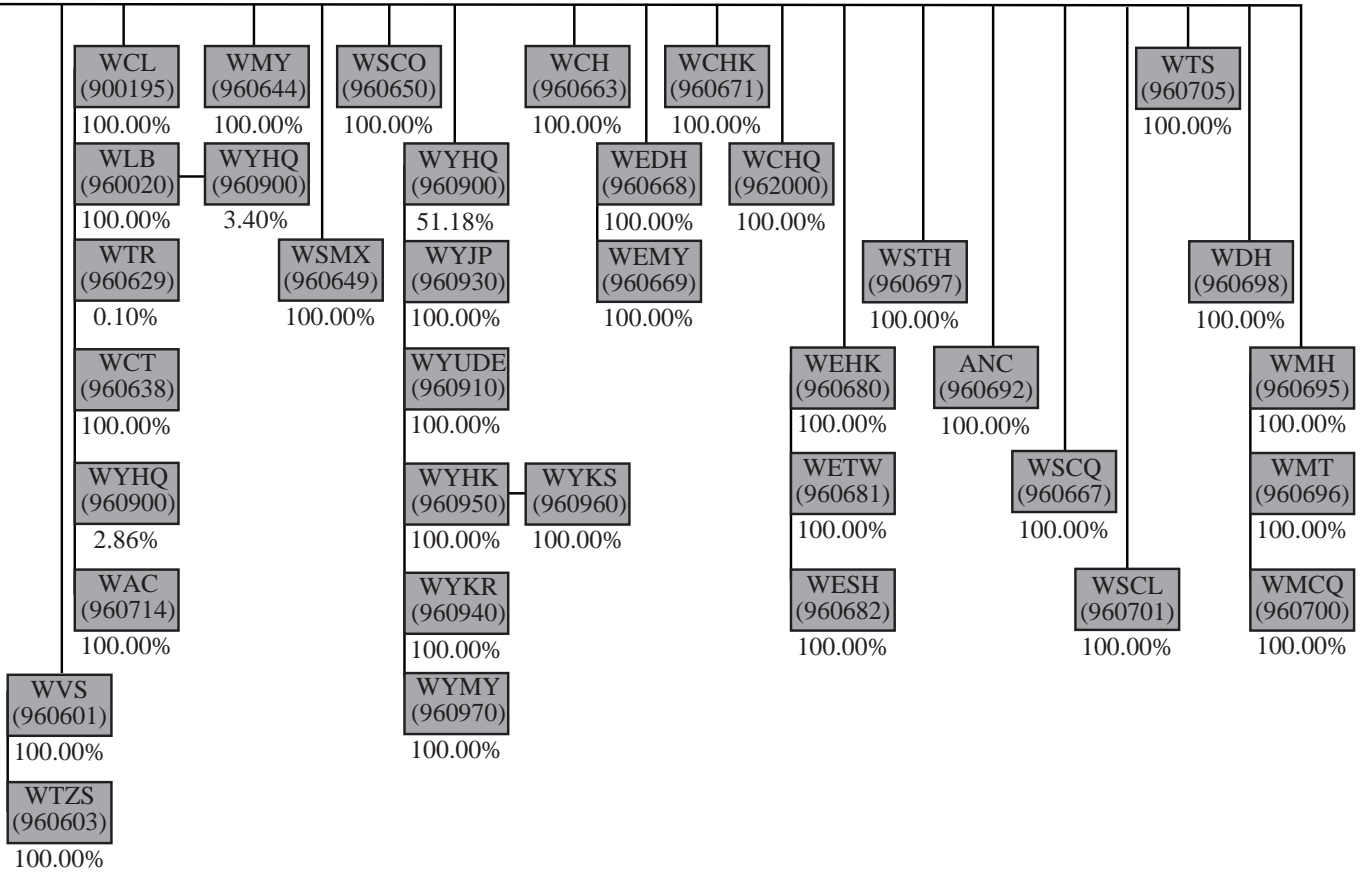
**7.6.14 Other Risks** : None.

**7.7 Other important matters** : None.

## **8. Special Disclosure**

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## B. Backgrounds of affiliated enterprises

No.	Code	Brief Name	Name of Company	Established Date
0	960286	WHQ	Wistron Corporation	2001.05.30
1	960003	ISL	INTERNATIONAL STANDARDS LABORATORY CORP.	1986.10.28
2	960707	WSPH	Wistron InfoComm (Philippines) Corporation	1995.05.19
3	960037	WJP	Wistron K.K.	1993.12.16
4	890063	AGI	WiAdvance Technology Corporation	1994.04.25
5	960075	AIH	AII Holding Corporation	1994.12.21
6	960088	WTX	SMS Infocomm Corporation	1997.12.04
7	960296	WITX	Wistron InfoComm Technology (America) corporation	2007.08.21
8	960132	WSH	Wistron InfoComm (Shanghai) Corporation	1997.11.04
9	960133	WZS	Wistron InfoComm (Zhongshan) Corporation	1997.10.28
10	960135	WMX	Wistron Mexico S.A. de C.V.	1997.12.04
11	900195	WCL	Wise Cap Limited Company	1999.11.05
12	960020	WLB	LE BEN Investment Ltd.	2006.09.26
13	960290	COWIN	Cowin Worldwide Corporation	2001.09.07
14	960297	WINS	Win Smart Co., Ltd.	2001.09.07
15	960302	WAKS	Wistron InfoComm (Kunshan) Co., Ltd.	2001.09.27
16	960364	WEKS	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	2004.02.10
17	960078	WCZ	Wistron InfoComm(Czech). s.r.o.	2007.01.03
18	960377	WSKS	Wistron Service (Kunshan) Corp.	2004.07.23
19	960388	WHK	Wistron Hong Kong Limited	2005.05.07
20	960032	WOK	Wistron Optronics (Kunshan) Co., Ltd.	2006.01.27



	Location	Currency	Paid in Capital	Rate	Main Business or Products
	Taiwan	NTD	28,421,219,500	1.0000	Research, development, manufacturing and sale of computer and information products
	Taiwan	NTD	20,944,620	1.0000	Safety and EMI test
	Philippines	USD	3,419,437	30.7330	Customer service and sale
	Japan	JPY	90,000,000	0.2774	CSD Maintenance company
	Taiwan	NTD	200,000,000	1.0000	Storage equipment, digital monitoring system, sales of digital multimedia, and related consultancy service
	B.V.I.	USD	347,485,701	30.7330	Investment and holding, sale of information and communication equipment and components
	U.S.A.	USD	11,500,000	30.7330	Customer service and sale
	U.S.A.	USD	49,500,000	30.7330	Warehousing 、logistics and distribution for the related products and components of computer 、communication and consumer electronic products
	China	RMB	8,283,779	4.4755	Research, development, design, testing and sales of computers software
	China	USD	234,000,000	30.7330	Assembly and sales of computer, server, and LCD TV
	Mexico	USD	65,300,000	30.7330	Assembly and installation of LCD TV
	Taiwan	NTD	1,570,609,870	1.0000	Investment consultant and business management consultant
	Taiwan	NTD	252,910,200	1.0000	Investment consultant and business management consultant
	B.V.I.	USD	188,393,915	30.7330	Investment and holding, sale of information and communication equipment and components
	B.V.I.	USD	484,065,492	30.7330	Investment and holding
	China	USD	32,000,000	30.7330	Assembly and sales of Notebook computer
	China	USD	28,000,000	30.7330	Sales of mobile phone
	Czech	USD	29,216,614	30.7330	Production, installation and repairing of electronic appliances
	China	USD	360,000	30.7330	Maintenance of computer products
	H.K.	HKD	25,281,200	3.9244	Computer repair service
	China	RMB	763,968,890	4.4755	Production of communication products and components

No.	Code	Brief Name	Name of Company	Established Date
21	960390	WDC	WinDisplay Corporation	2005.04.07
22	960691	WSSG	SMS InfoComm (Singapore) Pte. Ltd.	2008.01.25
23	960125	WMKS	SMS (Kunshan) Co., Ltd	2008.03.13
24	960126	WLLC	Wistron LLC	2003.06.26
25	960601	WVS	WisVision Corporation	2008.06.03
26	960602	WOSH	Wistron Optronics (Shanghai) Co., Ltd.	2008.07.11
27	960603	WTZS	Wistron InfoComm Technology (Zhongshan) Co., Ltd.	2008.11.07
28	960604	WIN	ICT Service Management Solutions (India) Private Limited	2008.09.26
29	960616	WTZ	Wistron InfoComm (Taizhou) Co., Ltd.	2009.08.24
30	960617	WEH	Wistron Europe Holding Cooperatie U.A.	2010.02.22
31	960618	WPV	Polymer Vision B.V.	2010.02.22
32	960628	WBR	SMS InfoComm Technology Services and Management Solutions Ltd.	2010.08.13
33	960629	WTR	SMS InfoComm Technology Services Limited Company	2010.08.18
34	960635	WGHK	Wistron Advanced Materials(Hong Kong)Limited	2010.07.27
35	960636	WGTX	Wistron GreenTech (Texas) Corporation	2010.08.25
36	960637	WGKS	Wistron Advanced Materials (Kunshan) Co., Ltd.	2010.11.30
37	960638	WCT	Creator Technology B.V.	2010.12.31
38	960642	WCQ	Wistron InfoComm (Chongqing) Co.Ltd.	2011.04.28
39	960644	WMY	Wistron Technology (Malaysia) Sdn.Bhd.	2011.03.22
40	960646	WHHK	Wistron Hong Kong Holding Limited	2011.05.05
41	960649	WSMX	Service Management Solutions Mexico SA DE CV	2011.07.05
42	960647	WSC	Wistron Investment (Sichuan) Co., Ltd.	2011.07.11
43	960648	WCD	Wistron InfoComm (Chengdu) Co., Ltd.	2011.08.05
44	960650	WSCO	Service Management Solutions Colombia S.A.S.	2011.12.01
45	960651	WSCZ	SMS InfoComm (Czech) s.r.o.	2011.11.24
46	960900	WYHQ	Wiwynn Corporation	2012.03.03
47	960663	WCH	Wistron Mobile Solutions Corporation	2012.12.14
48	960930	WYJP	Wiwynn Technology Service Japan , Inc.	2013.03.01
49	960910	WYUDE	Wiwynn International Corporation	2013.02.11
50	960668	WEDH	WiEDU Holding Co., Ltd.	2013.06.06

	Location	Currency	Paid in Capital	Rate	Main Business or Products
	B.V.I.	USD	124,100,000	30.7330	Investment and holding, sale of telecommunication equipment and components
	Singapore	USD	112,489,410	30.7330	Customer service
	China	RMB	173,809,000	4.4755	Maintenance of computer products
	U.S.A.	USD	54,360,000	30.7330	Investment and holding
	B.V.I.	USD	12,005,000	30.7330	Investment and holding
	China	RMB	27,641,180	4.4755	Sales of communication products and components
	China	RMB	13,670,560	4.4755	Assembly and sales of LCD Monitor
	India	INR	143,436,020	0.4397	Computing products repair and service parts distribution
	China	USD	160,000,000	30.7330	Assembly and sales of LCD Monitor and Touch display module
	Netherlands	EUR	34,922,836	35.1401	Investment and holding
	Netherlands	EUR	24,910,836	35.1401	R&D
	Brazil	BRL	37,247,500	7.9307	Customer service
	Turkey	TRY	2,200,000	5.8367	Customer service
	H.K.	USD	33,500,000	30.7330	Investment and holding
	U.S.A.	USD	13,005,000	30.7330	Recycling service of information technology products
	China	USD	32,000,000	30.7330	Research, manufacturing, and sales of electronic regeneration ecofriendly plastic goods
	Netherlands	EUR	12,100,000	35.1401	R&D
	China	USD	19,800,000	30.7330	Assembly and sales of Notebook computer
	Malaysia	MYR	80,000,000	7.3931	Assembly and installation of LCD TV
	H.K.	USD	89,550,000	30.7330	Investment and holding
	Mexico	MXN	36,429,340	1.5591	Customer service
	China	USD	83,500,000	30.7330	Investment and holding
	China	USD	80,000,000	30.7330	Assembly and sales of Notebook computer
	Colombia	COP	5,562,754,500	0.0093	Customer service
	Czech	CZK	242,200,000	1.3634	Customer service
	Taiwan	NTD	1,520,287,910	1.0000	Research, development, sale, and service of information products
	U.S.A.	USD	20,000,000	30.7330	R&D
	Japan	JPY	20,000,000	0.2774	Sale of electronic products
	U.S.A.	USD	1,690,100	30.7330	Sale of electronic products
	Seychelles	USD	5,700,000	30.7330	Investment and holding

No.	Code	Brief Name	Name of Company	Established Date
51	960669	WEMY	WIEDU SDN. BHD.	2013.06.11
52	960671	WCHK	WiseCap (Hong Kong) Limited	2013.08.16
53	962000	WCHQ	Anwith Technology Corporation	2013.09.11
54	960672	WRKS	Wistron InfoComm Technology Service (Kunshan) Co., Ltd.	2013.11.22
55	960950	WYHK	Wiwynn Technology Service Hong Kong Limited	2013.09.11
56	960960	WYKS	Wiwynn Technology Service KunShan Ltd.	2014.02.12
57	960666	WSMY	SMS INFOCOMM (MALAYSIA) SDN. BHD.	2013.03.21
58	960680	WEHK	WiEdu Hong Kong Limited	2014.07.21
59	960681	WETW	WIEDU CORPORATION	2014.11.14
60	960682	WESH	Weshtek Information Technology Services Co., Ltd. , Shanghai	2014.12.08
61	960690	WITT	Wistron InfoComm Technology (Texas) Corporation	2015.09.17
62	960698	WDH	Wistron Digital Technology Holding Company	2016.04.12
63	960695	WMH	Wistron Medical Tech Holding Company	2016.04.19
64	960940	WYKR	Wiwynn Korea Ltd.	2016.05.03
65	960697	WSTH	ANWITH SERVICE CO., LTD.	2016.04.12
66	960696	WMT	Wistron Medical Technology Corporation	2016.08.01
67	960692	ANC	Anwith Corporation	2016.01.07
68	960700	WMCQ	Wistron Medical Tech (Chongqing) CO.,LTD.	2016.09.14
69	960667	WSCQ	SMS InfoComm(Chongqing) Co.,Ltd.	2016.10.19
70	960701	WSCL	SMS INFOCOMM CHILE SERVICIOS LIMITADA	2016.09.08
71	960970	WYMY	WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD	2017.07.13
72	960705	WTS	Wistron Technology Service (America) Corporation	2017.08.30
73	960711	WMI	Wistron InfoComm Manufacturing (India) Private Limited	2018.02.18
74	960714	WAC	Abilliant Corporation	2018.11.14

	Location	Currency	Paid in Capital	Rate	Main Business or Products
	Malaysia	MYR	21,236,150	7.3931	Development and sales of information technology products and related software
	Hong Kong	USD	7,512,894	30.7330	Investment and holding
	Taiwan	NTD	10,000,000	1.0000	Sale and maintenance of computer products and electronic information products
	China	USD	2,000,000	30.7330	Research and development of electronic calculator and other electronic products
	Hong Kong	USD	400,000	30.7330	Investment and holding
	China	RMB	2,156,350	4.4755	Sales of electronic products
	Malaysia	MYR	3,548,272	7.3931	Computing Products repair and service parts distribution
	Hong Kong	USD	10,140,200	30.7330	Investment and holding, development of Internet platform, provide, sale, and consultancy of the application service
	Taiwan	NTD	65,000,000	1.0000	Development of internet platform, providing application services, consulting services
	China	RMB	6,236,300	4.4755	Development of internet platform, providing application services, consulting services
	U.S.A.	USD	4,510,000	30.7330	Processing and sale of electronic information products
	Taiwan	NTD	634,310,000	1.0000	Investment and holding
	Taiwan	NTD	2,000,000,000	1.0000	Investment and holding
	Korea	KRW	100,000,000	0.0275	Sale of electronic products
	Thailand	THB	9,497,000	0.9483	Maintenance of computer products
	Taiwan	NTD	200,000,000	1.0000	Manufacturing of medical instruments
	U.S.A.	USD	750,000	30.7330	Sales and maintenance of mobile phone
	China	RMB	20,323,200	4.4755	Production of medical equipments
	China	USD	4,000,000	30.7330	Sales and distribution of computer products and components
	Chile	CLP	670,000,000	0.0440	Maintenance of computer products
	Malaysia	MYR	2,050,200	7.3931	Sale of electronic products
	U.S.A.	USD	350,000	30.7330	Development of new business and customer service
	India	INR	1,808,011,000	0.4397	Mobile products manufacture
	Taiwan	NTD	1,000,000	1.0000	Manufacturing, wholesale and retail of electronic related products

- C. Common Shareholders among Controlling and Controlled Entities : None.
- D. The Company and its subsidiaries (hereinafter, jointly referred to as the “Group”), are currently engaged in the research, development, design, manufacturing, testing and sales of the following products and semi - finished products, and their peripheral equipment, parts and components
- (A) desktop computers, notebook computers, motherboards, servers, system platforms, high – speed and multi – function multiple - CPU computer systems, multi - media computers, network computers, consumer - type computers and special computers, micro-processors, CD - ROMs,PDA’s, panel PCs, pocket computers and interface cards;
  - (B) video and internet telephones, video conferencing equipment and telecommunication equipment;
  - (C) digital satellite TV receivers, set - top boxes, digital video decoders and multi – media appliance products;
  - (D) digital cameras, CD - ROM drives and DVD - ROM drives;
  - (E) wireless receiver products (mobile phones, wireless LAN cards, and Bluetooth communication modules);
  - (F) LCD TVs and other electronic audio & visual products;
  - (G) design and merchandising of computer software and programs;
  - (H) import and export trade relevant to the business of this company;
  - (I) maintenance and cleaning of electronics products;
  - (J) recycling of electronic waste;
  - (K) in vitro diagnostic device, physiological signal diagnostic device and medical data system;
  - (L) manufacturing, processing and selling of electronic products for automobile



## E. Backgrounds of directors, supervisors and presidents of affiliated enterprises: as of the publication date of annual report

No.	Code	Brief Name	Name of Company	Title / Represented Institution
1	960003	ISL	INTERNATIONAL STANDARDS LABORATORY CORP.	Director Supervisor
2	960707	WSPH	Wistron InfoComm (Philippines) Corporation	Director
3	960037	WJP	Wistron K.K.	Director Supervisor
4	890063	AGI	WiAdvance Technology Corporation	Director Supervisor
5	960075	AIH	AII Holding Corporation	Director
6	960088	WTX	SMS Infocomm Corporation	Director
7	960296	WITX	Wistron InfoComm Technology (America) corporation	Director
8	960132	WSH	Wistron InfoComm (Shanghai) Corporation	Director Supervisor
9	960133	WZS	Wistron InfoComm (Zhongshan) Corporation	Director Supervisor
10	960135	WMX	Wistron Mexico S.A. de C.V.	Director
11	900195	WCL	Wise Cap Limited Company	Director
12	960020	WLB	LE BEN Investment Ltd.	Director
13	960290	COWIN	Cowin Worldwide Corporation	Director
14	960297	WINS	Win Smart Co., Ltd.	Director
15	960302	WAKS	Wistron InfoComm (Kunshan) Co., Ltd.	Director Supervisor
16	960364	WEKS	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.	Director Supervisor
17	960078	WCZ	Wistron InfoComm(Czech). s.r.o.	Director
18	960377	WSKS	Wistron Service (Kunshan) Corp.	Director Supervisor
19	960388	WHK	Wistron Hong Kong Limited	Director



	<b>Name or Representative</b>	<b>No. of Shares / Paid in Capital</b>	<b>Ratio (%)</b>
	Wistron Corporation Legal Representative: Donald Hwang Peter Lee Jammy Chen	2,094,462	100.00
	Wistron Corporation Legal Representative: Stone Shih		
	Robert Hwang Ya-Ling Hsu William Lin Ricky Kuan Wallice Wang	139,567,270	100.00
	Andy TC Kuo Robert Hwang William Lin Stone Shih	JPY\$90,000,000	100.00
	Wistron Corporation Legal Representative: Robert Hwang David Shen Michael Hsia Stone Shih	19,998,536	99.99
	Robert Hwang Donald Hwang Stone Shih	347,485,702	100.00
	Robert Hwang William Lin Phil Huang	4,832,686	100.00
	Robert Hwang Hank Hsu Stone Shih	4,950,000	100.00
	Robert Hwang Jeff Lee David Shen Stone Shih	US\$1,000,000	100.00
	Robert Hwang David Shen Jeff Tsao Stone Shih	US\$234,000,000	100.00
	Robert Hwang Hank Hsu Jeff Lin	293,453,615	100.00
	Wistron Corporation Legal Representative: Frank F.C. Lin Stone Shih Donald Hwang	NT\$1,570,609,870	100.00
	Wise Cap Limited Company Legal Representative: Frank F.C. Lin Stone Shih Donald Hwang	NT\$252,910,200	100.00
	Robert Hwang David Shen Jeff Tsao	188,393,915	100.00
	Robert Hwang Donald Hwang Kenny Wang	484,065,492	100.00
	Robert Hwang Jeff Lin Kenny Wang Stone Shih	US\$32,000,000	100.00
	Robert Hwang Jeff Lin Kenny Wang Stone Shih	US\$28,000,000	100.00
	Eric Lin	EUR\$23,844,494	100.00
	Robert Hwang William Lin Audy Yeh Stone Shih	US\$360,000	100.00
	Robert Hwang	25,281,200	100.00

No.	Code	Brief Name	Name of Company	Title / Represented Institution
20	960032	WOK	Wistron Optronics (Kunshan) Co., Ltd.	Director Supervisor
21	960390	WDC	WinDisplay Corporation	Director
22	960691	WSSG	SMS InfoComm (Singapore) Pte. Ltd.	Director
23	960125	WMKS	SMS (Kunshan) Co., Ltd	Director Supervisor
24	960126	WLLC	Wistron LLC	Director
25	960601	WVS	WisVision Corporation	Director
26	960602	WOSH	Wistron Optronics (Shanghai) Co., Ltd.	Director Supervisor
27	960603	WTZS	Wistron InfoComm Technology (Zhongshan) Co., Ltd.	Director Supervisor
28	960604	WIN	ICT Service Management Solutions (India) Private Limited	Director
29	960616	WTZ	Wistron InfoComm (Taizhou) Co., Ltd.	Director Supervisor
30	960617	WEH	Wistron Europe Holding Cooperatie U.A.	Director
31	960618	WPV	Polymer Vision B.V.	Director
32	960628	WBR	SMS InfoComm Technology Services and Management Solutions Ltd.	Director
33	960629	WTR	SMS InfoComm Technology Services Limited Company	Director
34	960635	WGHK	Wistron Advanced Materials(Hong Kong)Limited	Director
35	960636	WGTX	Wistron GreenTech(Texas) Corporation	Director
36	960637	WGKS	Wistron Advanced Materials(Kunshan) Co. Ltd	Director Supervisor
37	960638	WCT	Creator Technology B.V.	Director
38	960642	WCQ	Wistron InfoComm (Chongqing) Co.Ltd.	Director Supervisor
39	960644	WMY	Wistron Technology (Malaysia) Sdn.Bhd.	Director
40	960646	WHHK	Wistron Hong Kong Holding Limited	Director
41	960649	WSMX	Service Management Solutions Mexico SA DE CV	Director
42	960647	WSC	Wistron Investment (Sichuan) Co., Ltd.	Director Supervisor
43	960648	WCD	Wistron InfoComm (Chengdu) Co., Ltd.	Director Supervisor

Name or Representative	No. of Shares / Paid in Capital	Ratio (%)
Robert Hwang Vincent Cho James Chou Stone Shih	US\$119,800,000	100.00
Robert Hwang Vincent Cho	US\$124,100,000	100.00
Robert Hwang William Lin Eileen Chan	112,489,410	100.00
Robert Hwang William Lin Corey Lin Stone Shih	US\$27,000,000	100.00
Stone Shih	5,436,000	100.00
Robert Hwang David Shen Jeff Tsao	12,005,000	100.00
Robert Hwang Stone Shih	US\$4,300,000	100.00
Jeff Lin David Shen Jeff Tsao Stone Shih	US\$2,000,000	100.00
Robert Hwang William Lin Johnson Wang Robert Ho	14,343,602	100.00
Robert Hwang Vincent Cho James Chou Stone Shih	US\$160,000,000	100.00
Robert Hwang	EUR\$34,922,836	100.00
Brian Chong	EUR\$24,910,836	100.00
Jonas Hsu	BRL\$37,247,500	100.00
Kevin IK Kao	TRY\$2,200,000	100.00
Robert Hwang	33,500,000	100.00
Robert Hwang Jerry NT Wang William Lin	13,005	100.00
Robert Hwang Vincent Cho Steven SH Huang Stone Shih	US\$32,000,000	100.00
Eric Lin Joost Tulkens	EUR 12,100,000	100.00
Robert Hwang Jeff Lin Kenny Wang Stone Shih	US\$19,800,000	100.00
Robert Hwang David Shen	80,000,000	100.00
Robert Hwang	89,550,000	100.00
Robert Hwang William Lin Corey Chen	36,429,340	100.00
Robert Hwang Donald Hwang Kenny Wang Stone Shih	US\$83,500,000	100.00
Robert Hwang Jeff Lin Kenny Wang Stone Shih	US\$80,000,000	100.00

No.	Code	Brief Name	Name of Company	Title / Represented Institution
44	960650	WSCO	Service Management Solutions Colombia S.A.S.	Director
45	960651	WSCZ	SMS InfoComm (Czech) s.r.o.	Director
46	960900	WYHQ	Wiwynn Corporation	Director
				Independent director
47	960663	WCH	Wistron Mobile Solutions Corporation	Director
48	960930	WYJP	Wiwynn Technology Service Japan , Inc.	Director
49	960910	WYUDE	Wiwynn International Corporation	Director
50	960668	WEDH	WiEDU Holding Co., Ltd.	Director
51	960669	WEMY	WIEDU SDN. BHD.	Director
52	960671	WCHK	WiseCap (Hong Kong) Limited	Director
53	962000	WCHQ	Anwith Technology Corporation	Director
				Supervisor
54	960672	WRKS	Wistron InfoComm Technology Service (Kunshan) Co., Ltd.	Director
				Supervisor
55	960950	WYHK	Wiwynn Technology Service Hong Kong Limited	Director
56	960960	WYKS	Wiwynn Technology Service KunShan Ltd.	Director
				Supervisor
57	960666	WSMY	SMS INFOCOMM (MALAYSIA) SDN. BHD.	Director
58	960680	WEHK	WiEdu Hong Kong Limited	Director
59	960681	WETW	WIEDU CORPORATION	Director
				Supervisor
60	960682	WESH	Weshtek Information Technology Services Co., Ltd. , Shanghai	Director
				Supervisor
61	960690	WITT	Wistron InfoComm Technology (Texas) Corporation	Director

	Name or Representative	No. of Shares / Paid in Capital	Ratio (%)
	Corey Chen	US\$3,100,000	100.00
	Eric Hsiao	CZK\$242,200,000	100.00
	Wistron Corporation Legal Representative: Simon Lin Frank F.C. Lin ◦ Emily Hong Sunlai Chang LIN,BAO-YONG ZENG,CHUI-JI HAN,JING-SHI	87,328,512	57.44
	Donald Hwang Brian Chong Eric YH Huang	20,000	100.00
	Emily Hong	230	57.44
	Emily Hong	97,079,344	57.44
	Robert Hwang	5,700,000	100.00
	Robert Hwang	21,236,150	100.00
	Frank F.C. Lin Robert Hwang Stone Shih	58,445,950	100.00
	Wistron Corporation Legal Representative: Robert Hwang William Lin Ted Chiu Wistron Corporation Legal Representative: Stone Shih	1,000,000	100.00
	Robert Hwang Donald Hwang Kenny Wang	US\$2,000,000	100.00
	Stone Shih		
	Emily Hong	229,760	57.44
	Emily Hong	US\$201,040	57.44
	Harry Chen		
	Robert Hwang William Lin	3,548,272	100.00
	Robert Hwang ◦ David Shen	11,426,000	100.00
	WiEdu Hong Kong Limited Legal Representative: Robert Hwang David Shen Charles Hsu WiEdu Hong Kong Limited Legal Representative: Stone Shih	6,500,000	100.00
	Robert Hwang David Shen Lydia Liang	US\$1,000,000	100.00
	Stone Shih		
	Robert Hwang Stone Shih Hank Hsu	451,000	100.00

No.	Code	Brief Name	Name of Company	Title / Represented Institution
62	960698	WDH	Wistron Digital Technology Holding Company	Director Supervisor
63	960695	WMH	Wistron Medical Tech Holding Company	Director Supervisor
64	960940	WYKR	Wiwynn Korea Ltd.	Director
65	960697	WSTH	ANWITH SERVICE CO., LTD.	Director
66	960696	WMT	Wistron Medical Technology Corporation	Director Supervisor
67	960692	ANC	Anwith Corporation	Director
68	960700	WMCQ	Wistron Medical Tech (Chongqing) CO.,LTD.	Director Supervisor
69	960667	WSCQ	SMS InfoComm(Chongqing) Co.,Ltd.	Director Supervisor
70	960701	WSCL	SMS INFOCOMM CHILE SERVICIOS LIMITADA	Director
71	960970	WYMY	WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD	Director
72	960705	WTS	Wistron Technology Service (America) Corporation	Director
73	960711	WMI	Wistron InfoComm Manufacturing (India) Private Limited	Director
74	960714	WAC	Abilliant Corporation	Director Supervisor

Name or Representative	No. of Shares / Paid in Capital	Ratio (%)
Wistron Corporation Legal Representative: Simon Lin Frank F.C. Lin Donald Hwang Wistron Corporation Legal Representative: Stone Shih	63,431,000	100.00
Wistron Corporation Legal Representative: Simon Lin Robert Hwang Frank F.C. Lin Wistron Corporation Legal Representative: Stone Shih	200,000,000	100.00
Emily Hong	11,488	57.44
Robert Hwang William Lin Johnson Wang	3,798,800	100.00
Wistron Medical Tech Holding Company Legal Representative: Robert Hwang Frank F.C. Lin Donald Hwang Wistron Medical Tech Holding Company Legal Representative: Stone Shih	20,000,000	100.00
Robert Hwang William Lin Jerry NT Wang	75,000	100.00
Robert Hwang Gem Hsieh C.K. Lin Lydia Liang	US\$3,000,000	100.00
Robert Hwang William Lin Audy Yeh Stone Shih	US\$4,000,000	100.00
Corey Chen Robert Hwang William Lin	US\$1,000,000	100.00
Joe Chiao Robin Wang	1,177,635	57.44
Stone Shih	25,000	100
Robert Hwang Peter Tung GURURAJ AYEKAVADI	379,937,100	100
Wise Cap Limited Company Legal Representative: Donald Hwang James C.C. Yu Jeff Lee Wise Cap Limited Company Legal Representative: Stone Shih	100,000	100

## F. Performance of affiliated enterprises

No.	Code	Brief Name	Name of Company
0	960286	Wistron	Wistron Corporation
1	960003	ISL	INTERNATIONAL STANDARDS LABORATORY CORP.
2	960707	WSPH	Wistron InfoComm (Philippines) Corporation
3	960037	WJP	Wistron K.K.
4	890063	AGI	WiAdvance Technology Corporation
5	960075	AIH	AII Holding Corporation
6	960088	WTX	SMS Infocomm Corporation
7	960296	WITX	Wistron InfoComm Technology (America) corporation
8	960132	WSH	Wistron InfoComm (Shanghai) Corporation
9	960133	WZS	Wistron InfoComm (Zhongshan) Corporation
10	960135	WMX	Wistron Mexico S.A. de C.V.
11	900195	WCL	Wise Cap Limited Company
12	960020	WLB	LE BEN Investment Ltd.
13	960290	COWIN	Cowin Worldwide Corporation
14	960297	WINS	Win Smart Co., Ltd.
15	960302	WAKS	Wistron InfoComm (Kunshan) Co., Ltd.
16	960364	WEKS	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd.
17	960078	WCZ	Wistron InfoComm(Czech). s.r.o.
18	960377	WSKS	Wistron Service (Kunshan) Corp.
19	960388	WHK	Wistron Hong Kong Limited
20	960032	WOK	Wistron Optronics (Kunshan) Co., Ltd.
21	960390	WDC	WinDisplay Corporation
22	960691	WSSG	SMS InfoComm (Singapore) Pte. Ltd.
23	960125	WMKS	SMS (Kunshan) Co., Ltd
24	960126	WLLC	Wistron LLC
25	960601	WVS	WisVision Corporation
26	960602	WOSH	Wistron Optronics (Shanghai) Co., Ltd.
27	960603	WTZS	Wistron InfoComm Technology (Zhongshan) Co., Ltd.
28	960604	WIN	ICT Service Management Solutions (India) Private Limited
29	960616	WTZ	Wistron InfoComm (Taizhou) Co., Ltd.
30	960617	WEH	Wistron Europe Holding Cooperatie U.A.
31	960618	WPV	Polymer Vision B.V.
32	960628	WBR	SMS InfoComm Technology Services and Management Solutions Ltd.
33	960629	WTR	SMS InfoComm Technology Services Limited Company
34	960635	WGHK	Wistron Advanced Materials(Hong Kong)Limited
35	960636	WGTX	Wistron GreenTech(Texas) Corporation
36	960637	WGKS	Wistron Advanced Materials(Kunshan) Co. Ltd
37	960638	WCT	Creator Technology B.V.
38	960642	WCQ	Wistron InfoComm (Chongqing) Co.Ltd.



Unit: NT\$ thousands

	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenues	Operating income	Net profit (after-tax)	Earnings Per Share (in dollar)
	28,421,220	364,350,809	295,405,612	68,945,197	750,900,387	(261,813)	4,908,472	1.76
	20,945	83,510	27,376	56,134	141,525	4,666	3,913	1.87
	105,090	1,044,811	799,941	244,870	682,739	31,465	25,204	NA
	24,966	1,027,409	802,468	224,941	648,450	(26,835)	(31,028)	NA
	200,000	240,439	55,909	184,530	354,474	(10,200)	(10,054)	(0.91)
	10,679,278	40,123,959	34,934,078	5,189,881	152,150,129	251,575	0	0.00
	353,430	3,788,106	2,283,942	1,504,164	5,246,135	204,451	155,727	32.88
	1,521,284	20,801,664	18,761,900	2,039,765	26,417,729	68,835	62,062	12.77
	37,074	85,110	33,039	52,072	83,826	319	2,268	NA
	7,191,522	56,303,463	38,862,168	17,441,295	171,492,273	983,047	912,408	NA
	2,006,865	2,465,719	81,332	2,384,387	971,844	20,482	490,012	NA
	1,570,610	1,769,325	8,546	1,760,779	0	(202)	373,930	NA
	252,910	443,967	55	443,912	0	(112)	186,211	NA
	5,789,910	71,925,495	58,175,962	13,749,533	168,904,515	2,466	945,722	5.22
	14,876,785	31,910,285	0	31,910,285	0	(177)	(154,898)	(0.33)
	983,456	33,211,574	23,450,232	9,761,342	76,696,386	160,370	(414,574)	NA
	860,524	42,067,459	33,142,762	8,924,697	134,557,342	202,344	331,392	NA
	743,139	10,814,539	8,329,124	2,485,415	40,153,583	1,475,838	848,828	NA
	11,064	1,367,662	741,662	626,000	3,260,338	46,446	19,892	NA
	99,214	89,791	6,371	83,420	51,781	(492)	(3,028)	(0.12)
	3,419,143	31,578,067	28,321,330	3,256,737	56,065,262	39,324	86,528	NA
	3,813,965	3,326,265	0	3,326,265	0	0	99,352	0.81
	3,457,137	4,533,303	1,656,946	2,876,357	3,418,906	60,678	(161,514)	(1.54)
	777,882	2,249,140	567,929	1,681,211	2,971,546	107,013	95,094	NA
	1,670,646	2,205,410	4,548	2,200,862	0	(5,683)	58,105	10.76
	368,950	482,094	0	482,094	0	(71)	54,027	4.61
	123,708	1,484,922	1,415,406	69,516	1,613,954	32,236	12,823	NA
	61,183	1,172,963	777,466	395,497	2,656,040	65,410	53,138	NA
	63,069	5,037,882	3,711,383	1,326,499	6,057,866	(89,593)	(152,774)	(10.62)
	4,917,280	5,295,243	8,459,410	(3,164,167)	4,838,373	(859,856)	(652,800)	NA
	1,227,192	449,929	805	449,124	15,678	915	45,660	NA
	875,369	115,947	0	115,947	0	(967)	(967)	NA
	295,399	1,444,246	1,113,910	330,336	1,030,611	22,031	(60,029)	NA
	12,841	93,529	11,284	82,245	47,116	8,945	28,142	1,197.75
	1,029,556	273,982	29	273,954	0	(3,073)	(51,754)	(1.54)
	399,683	838,308	747,139	91,169	607,507	(9,734)	(20,842)	(1,632.04)
	983,456	1,232,108	974,957	257,151	704,166	(39,280)	(48,680)	NA
	425,195	384,258	0	384,258	0	(13,162)	(13,651)	NA
	608,513	43,271,702	39,154,799	4,116,903	127,007,179	253,576	459,484	NA

No.	Code	Brief Name	Name of Company
39	960644	WMY	Wistron Technology (Malaysia) Sdn.Bhd.
40	960646	WHHK	Wistron Hong Kong Holding Limited
41	960649	WSMX	Service Management Solutions Mexico SA DE CV
42	960647	WSC	Wistron Investment (Sichuan) Co., Ltd.
43	960648	WCD	Wistron InfoComm (Chengdu) Co., Ltd.
44	960650	WSCO	Service Management Solutions Colombia S.A.S.
45	960651	WSCZ	SMS InfoComm (Czech) s.r.o.
46	960900	WYHQ	Wiwynn Corporation
47	960663	WCH	Wistron Mobile Solutions Corporation
48	960930	WYJP	Wiwynn Technology Service Japan , Inc.
49	960910	WYUDE	Wiwynn International Corporation
50	960668	WEDH	WiEDU Holding Co., Ltd.
51	960669	WEMY	WIEDU SDN. BHD.
52	960671	WCHK	WiseCap (Hong Kong) Limited
53	962000	WCHQ	Anwith Technology Corporation
54	960672	WRKS	Wistron InfoComm Technology Service (Kunshan) Co., Ltd.
55	960950	WYHK	Wiwynn Technology Service Hong Kong Limited
56	960960	WYKS	Wiwynn Technology Service KunShan Ltd.
57	960666	WSMY	SMS INFOCOMM (MALAYSIA) SDN. BHD.
58	960680	WEHK	WiEdu Hong Kong Limited
59	960681	WETW	WIEDU CORPORATION
60	960682	WESH	Weshtek Information Technology Services Co., Ltd. , Shanghai
61	960690	WITT	Wistron InfoComm Technology (Texas) Corporation
62	960698	WDH	Wistron Digital Technology Holding Company
63	960695	WMH	Wistron Medical Tech Holding Company
64	960940	WYKR	Wiwynn Korea Ltd.
65	960697	WSTH	ANWITH SERVICE CO., LTD.
66	960696	WMT	Wistron Medical Technology Corporation
67	960692	ANC	Anwith Corporation
68	960700	WMCQ	Wistron Medical Tech (Chongqing) CO.,LTD.
69	960667	WSCQ	SMS InfoComm(Chongqing) Co.,Ltd.
70	960701	WSCL	SMS INFOCOMM CHILE SERVICIOS LIMITADA
71	960970	WYMY	WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD
72	960705	WTS	Wistron Technology Service (America) Corporation
73	960711	WMI	Wistron InfoComm Manufacturing (India) Private Limited
74	960714	WAC	Abilliant Corporation

	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenues	Operating income	Net profit (after-tax)	Earnings Per Share (in dollar)
	591,448	396,718	20,287	376,431	5,621	(29,442)	(30,705)	(0.37)
	2,752,140	5,877,070	0	5,877,070	0	(32)	(1,934)	(0.02)
	56,797	369,698	441,724	(72,026)	609,263	8,845	(9,737)	(0.27)
	2,566,206	5,655,952	953	5,654,999	0	(23)	4,249	NA
	2,458,640	28,873,353	23,330,360	5,542,993	111,770,440	212,721	2,591	NA
	51,734	150,684	79,892	70,792	138,570	22,715	17,570	28.65
	330,215	1,411,551	1,089,374	322,177	3,812,725	163,955	45,898	NA
	1,520,288	26,472,086	15,695,299	10,776,787	76,603,354	6,563,966	5,577,577	38.00
	614,660	567,204	1,009	566,194	27,697	(26,241)	(64,317)	(3,274.91)
	5,548	449,126	353,187	95,940	2,942,500	91,588	63,785	161,853.75
	51,942	18,889,558	13,567,510	5,322,048	125,315,369	318,515	74,514	0.61
	175,178	2,733	0	2,733	0	(36)	(6,932)	(1.84)
	157,001	2,726	132	2,594	226	(6,663)	(6,897)	(0.44)
	230,894	162,613	0	162,613	0	(32)	110,880	1.84
	10,000	102,379	104,804	(2,425)	178,332	(468)	(1,912)	(1.91)
	61,466	171,952	54,148	117,804	471,246	19,783	11,522	NA
	12,293	131,120	39,919	91,201	1,251,749	37,294	51,823	131.84
	9,651	448,321	402,619	45,702	1,004,574	34,386	24,025	NA
	26,233	7,447	12,382	(4,935)	0	(967)	(1,588)	(0.44)
	311,639	(110,962)	82	(111,044)	0	(6,495)	(63,131)	(5.53)
	65,000	41,629	199,707	(158,078)	101,697	(46,262)	(53,064)	(8.16)
	27,911	8,391	1,611	6,780	1,661	(3,593)	(3,573)	NA
	138,606	169,870	48,173	121,697	43,116	2,053	1,726	4.00
	634,310	727,256	120	727,136	30	(164)	70,494	1.11
	2,000,000	1,233,060	120	1,232,940	0	(932)	(108,923)	(0.73)
	2,750	159,014	100,013	59,000	1,852,454	54,981	42,238	2,111.91
	9,006	8,659	0	8,659	0	(55)	(55)	(0.02)
	200,000	262,592	108,649	153,944	121,155	1,298	(26,190)	(1.31)
	23,050	31,512	4,994	26,518	97,995	3,638	2,692	36.57
	90,956	226,126	175,511	50,615	19,158	(27,484)	(26,493)	NA
	122,932	2,609,279	2,459,715	149,565	6,376,444	84,431	(9,477)	NA
	29,480	157,207	175,284	(18,077)	159,652	(19,326)	(42,904)	NA
	15,157	14,969	2	14,967	0	(187)	(187)	(0.07)
	10,757	21,905	9,991	11,913	24,030	1,144	1,136	37.45
	794,982	783,839	8,025	775,815	0	(29,077)	(19,229)	(0.36)
	1,000	1,007	8	999	0	(1)	(1)	(0.01)

**8.1.2 Consolidated Financial Statements Covering Affiliated Enterprises**

Please refer to this English version annual report (p.128-244)

**8.1.3 Reports on Affiliations** : None.**8.2 Private Placement Securities in the Most Recent Years** : None.**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years** : None.**8.4 Other matters that require additional description** : None.

**9. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one**

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9 | If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one

**If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one : None.**



**wistron**