



2012 Annual Report translation

Wistron Corporation



wistron[®]

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6. For more information about Wistron GDRs:

<http://www.bourse.lú>

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

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

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1. Letter to Shareholders

Dear Shareholders,

Last year, the IT industry experienced a global economic recession and the market required migration from PC to Tablet, which resulted in slow growth and demand declines in consumer markets (e.g. notebook and LCD-TV). For Wistron, although the company was continuously challenged by the tough economic environment and market migration, we continued to maintain the same revenue level through customer and product portfolio optimization, risk management enhancement, and operation efficiency improvement.

On behalf of all employees of Wistron, I wish to express my appreciation to all of our shareholders--your continuous support inspires us to excel.

Financial and Operation Results

In 2012, Wistron's consolidated revenue reached NT\$657.8 billion, and consolidated operating profit was NT\$8.2 billion. The consolidated profit before tax reached NT\$9.2 billion and consolidated net profit was NT\$6.7 billion. Meanwhile, the earnings per share reached NT\$3.06.

From the operation management point of view, while confronting strong competition in the IT industry, Wistron continued to enhance operation efficiency through improving material cost management and production efficiency in 2012. However, the consequences of global economic recession and the market requiring migration from PC to Tablet did impact Wistron's manufacturing capacity utilization rate. As a result, our gross margin and operating income decreased even though revenue still maintained the same level. The operating expenses increased slightly in R&D investment for new business and new product line developments in order to cope with competition and market changes.

In 2012, Wistron's key growth drivers were the mobile handheld device and desktop PC, while the LCD-TV demand was weak and the other product lines maintained the same level compared with previous year. From the customer and marketing point of view, the consumer market (e.g. notebook and LCD-TV) showed slow demand while the commercial market (e.g. server and storage) still maintained stable growth. Wistron continued optimizing the customer and product portfolios in order to reduce market risk and impact from the slow demands in the consumer market.

In addition, we continued publishing the "Wistron Corporate Social Responsibility Report" (3rd edition) to show our participation and care for green environment and social responsibility activities.

Business and Operation Focus

To cope with the impact of continuous global economic recession, the market migration from PC to Tablet, and the increasing operating costs at China manufacturing bases, we will strengthen our market and customer management, and improve operation efficiency in order to generate more sustained growth and profit. For 2013, our major focus is operation efficiency

enhancement and value-added innovation for profitable growth.

Operation efficiency enhancement emphasizes design simplification, manufacturing automation, inventory management control, and manufacturing efficiency optimization. The “Value-added Innovation” initiative is to create the new business models with more add-on value for customers and enhance product competitiveness to improve the profit margin. The “Value-added Service” initiative is to expand service business with diversified services and add-on value, increase the scope of after-sales service business, and develop more new opportunities for other related technology service businesses.

For business and product direction, to cope with the slow market growth in consumer market (e.g. notebook and LCD-TV) Wistron will accelerate the adjustment in our business portfolio and expand the value from vertical integration. In addition, we will have strategic investments into other higher value businesses and product portfolios like smart-phones, tablets, cloud-computing solutions, green-recycling business, display technology and applications, the vertical integration of touch technology, network storage, industrial application devices, and smart TVs. These directions should reduce portfolio risk and impact from slow end-user demands in the consumer market.

Outlook for the Future

Looking forward, the global economy is showing uncertainty for recovery and the global market for IT industry is expected to show slower growth. Besides operation efficiency enhancement, we will continue to drive value-added innovations and services (such as after-sales service, green recycling and cloud-computing) as the key differentiators. In addition, as part of our overall efforts for corporate social responsibility, we are paying special attention to “Green House Gas (GHG) Control” and will quicken the new business development in recycling technology and applications.

Wistron’s “Corporate beliefs” are customer focus, integrity, innovation, and pursuit of excellence. We are confident that our dedication in operations, discipline in financial management, high standards in product quality and cost controls, and our strong commitment to innovation and customer partnership should enable Wistron to increase our competitiveness and allow us to deliver good performance.

Wistron’s long-term vision is to be a leading technology service provider delivering innovative ICT products and services. For our future strategy, in addition to creating high quality and innovative products, we shall continue to focus on increasing our employees’ satisfaction and creating the innovative technology services that truly benefit our customers. We believe this strategy will build long-term value for our shareholders. On behalf of all Wistron employees, I wish to thank all our shareholders for their support and confidence.

Simon Lin
Chairman and CEO



2. Company Introduction

2.1 Quick facts

- Wistron Corporation was formally established on May 30, 2001.
- Company categorized as a major ICT ODM and attempt to be TSP (Technology Service Provider) company.
- Product development focus is on Information and Communication Technology (ICT) products, including Notebook, Tablet and Desktop systems, Servers and Storage systems, IA (information appliances), Networking, Communication products, TV, Monitor, Application PC, Rugged mobile computer, Smart phone and Handheld Devices.
- Provides wide range of Design, Manufacturing and After-sales service support functions for ICT products.
- Among top 20 manufacturing companies in Taiwan. (based on revenue)
- Customer base mostly comprised of global, branded IT companies.
- Headquarters in Taiwan with multiple country operating sites, including Asia, North America and Europe.
- Over 60,000 personnel as of December 31, 2012.
- Publicly listed company on the Taiwan Stock Exchange. (Stock symbol 3231.tw or 3231.tt)

2.2 Business Summary

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

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

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

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

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

2.3 Formation history

At the time of Wistron’s formation as a company, the operational units within Wistron were originally part of the operations of Acer Computers Incorporated (founded in Taiwan in 1976). Wistron Corporation was incorporated on May 30, 2001. After incorporation, Acer transferred its design, manufacturing, and after-sales service (DMS) operations and certain related investments to Wistron. The reorganization was completed on February 28, 2002, when Acer transferred all the relevant assets and liabilities to Wistron. In November 2002, Acer reduced its shareholding in Wistron to less than 50%. In 2008, Acer further divested Wistron shares dropping to around 2% in 2012.

2.4 Public listing

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

2.5 Milestones

- | | | |
|------|------|---|
| May | 2001 | <ul style="list-style-type: none"> • Wistron Corporation was founded with paid-in capital of NT\$10 million. |
| Aug. | 2001 | <ul style="list-style-type: none"> • Increased capital to NT\$1 billion. |
| Nov. | 2001 | <ul style="list-style-type: none"> • The Kunshan (China) site was registered. |
| Dec. | 2001 | <ul style="list-style-type: none"> • The Industrial park plant was registered. |
| Feb. | 2002 | <ul style="list-style-type: none"> • Split from Acer Incorporated. |
| Apr. | 2002 | <ul style="list-style-type: none"> • Injected capital to NT\$5 billion to inherit from Acer Incorporated. all the assets, liabilities, related rights and obligations, as well as legal ownership (including ownership of plants in Hsinchu, Zhongshan, Subic Bay in Philippines, Mexico and Hungary). • Issued 72 million units of employee stock options. |
| Jun. | 2002 | <ul style="list-style-type: none"> • Entered into strategic alliance agreement with Taipei Customs Bureau and established strategic partnership. |
| Jul. | 2002 | <ul style="list-style-type: none"> • Raised funds of NT\$6.75 billion by issuing 300 million stock shares at a premium price of NT\$22.5 by means of cash injection. The paid-in capital amounted to NT\$8 billion. • The Kunshan (China) site passed the ISO 9001:2000 certification. |
| Dec. | 2002 | <ul style="list-style-type: none"> • Acer Incorporated completed its stock release, lowering its stock share in Wistron Corporation from 79% to 49%. • Two notebook models J1 and AJ received the “Certificate of Good Design” award by the Industrial Development Bureau. • Two notebook models J1 and AJ received “Certificate of Excellence” as part of the National Product Image Awards from the Ministry of Economic Affairs. • Established the Corporate Operation Headquarters in Taiwan with the approval of the Ministry of Economic Affairs. |
| Feb. | 2003 | <ul style="list-style-type: none"> • The Zhongshan (China) site passed the ISO 9001:2000 certification. |
| Mar. | 2003 | <ul style="list-style-type: none"> • Received NT\$99,620,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,099,620,000. |
| Apr. | 2003 | <ul style="list-style-type: none"> • The Zhongshan (China) site passed the TL 9000 R3.0 certification. • Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the SONY OEM Green Partner certification. |
| May | 2003 | <ul style="list-style-type: none"> • Established the Innovative R&D Center in Taiwan with the approval of the Ministry of Economic Affairs. |
| Aug. | 2003 | <ul style="list-style-type: none"> • Received NT\$18,350,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,117,970,000. • Wistron Corporation was officially and publicly listed on the Taiwan Stock Exchange. Wistron Corporation is the first high-technology company |

- publicly listed using new procedures after the enactment of the Taiwan Company Merger Law.
- The Kunshan (China) site passed the ISO 14001:1996 certification.
- Oct. 2003
- J2 and B2i notebooks, K3D multimedia notebook, W3D Desknote, SP200 smart PDA and Kuofer mini/portable speaker received the “Certificate of Good Design” award by the Industrial Development Bureau.
- Nov. 2003
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the OHSAS 18001:1999 certification.
 - Increased NT\$558,381,000 through capitalization of profits and received NT\$32,900,000 through converting employee stock options to common shares. The paid-in capital amounted to NT\$8,709,251,000.
- Dec. 2003
- Established Wistron InfoComm Technology (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jan. 2004
- The Kunshan (China) site passed the OHSAS 18001:1999 certification.
- Feb. 2004
- Issued US\$120 million aggregate principal amount of Zero Coupon Convertible Notes Due 2009.
 - Established Win Precision (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Apr. 2004
- Received NT\$114,740,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$8,823,991,000.
- May 2004
- Wistron ranked (in revenue) 17th among Taiwan manufacturing companies in 2003 (source: Common Wealth magazine and Business Weekly magazine)
 - Established Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jun. 2004
- The Zhongshan (China) site passed the ISO 14001:1996 certification and the OHSAS 18001:1999 certification.
- Jul. 2004
- The Kunshan (China) site passed the ISO 9001:2000/TL9000 R3.0 certification.
- Aug. 2004
- Established Wistron Service (Kunshan) Corp. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2004
- Increased NT\$585,699,550 through capitalization of profits and received NT\$80,220,000 converting employee stock options to common shares. The paid-in capital amounted to NT\$9,489,910,550.
- Nov. 2004
- Win Precision (Kunshan) Co., Ltd. changed its name to Wis Precision (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jan. 2005
- Received NT\$3,230,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,493,140,550.

- | | | |
|------|------|--|
| Apr. | 2005 | <ul style="list-style-type: none"> • Wistron ranked (revenue) 16th among Taiwan manufacturing companies in 2004 (source: the Common Wealth magazine and the Business Weekly magazine). • Wistron ranked (revenue) 31st among all Taiwan companies in 2004 (source: China Credit Information Service). • Received NT\$14,270,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,507,410,550. |
| Jun. | 2005 | <ul style="list-style-type: none"> • Received NT\$76,500,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$9,583,910,550. |
| Sep. | 2005 | <ul style="list-style-type: none"> • Issued NT\$2.5 billion of Depository Receipts, of which NT\$1.5 billion were deposited by Wistron and NT\$1.0 billion deposited by Acer. |
| Oct. | 2005 | <ul style="list-style-type: none"> • Issued and delivered Common Shares to the converting holders of ECB for NT\$217,928,720, and issued common shares of GDR offering for NT\$1,500 million, and converted employee stock options to common shares for NT\$11,405,689,270. The paid-in capital amounted to NT\$11.4 billion. • Established Wistron Service (Shanghai) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs. |
| Dec. | 2005 | <ul style="list-style-type: none"> • The Philippines site passed the TL 9000 R3.0 certification. |
| Jan. | 2006 | <ul style="list-style-type: none"> • Issued and delivered Common Shares to the converting holders of ECB for NT\$333,703,130, and converted employee stock options to common shares for NT\$43,350,000. The paid-in capital amounted to NT\$11,782,742,400. |
| Apr. | 2006 | <ul style="list-style-type: none"> • Issued and delivered Common Shares to the converting holders of ECB for NT\$170,238,960, and converted employee stock options to common shares for NT\$10,640,000. The paid-in capital amounted to NT\$11,963,621,360. • The Kunshan (China) site passed the ISO 14001:2004 certification. |
| May | 2006 | <ul style="list-style-type: none"> • Wistron ranked (revenue) 14th among Taiwan manufacturing companies in 2005 (source: Business Weekly magazine) • Wistron ranked (revenue) 17th among Taiwan manufacturing companies in 2005 (source: Common Wealth magazine) • The Zhongshan (China) site, the Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO 14001:2004 certification. |
| Jun. | 2006 | <ul style="list-style-type: none"> • Wistron ranked 18th among Global Information Technology companies in 2006 (source: BusinessWeek magazine) • Wistron ranked 7th among Taiwan Information Technology companies in |

- 2006 (source: BusinessNext magazine in cooperation with BusinessWeek magazine)
- Aug. 2006 • Increased NT\$759,947,000 through capitalization of profits. The paid-in capital amounted to NT\$12,723,568,360.
- Sep. 2006 • The Kunshan (China) site passed the IECQ QC 080000:2005 certification.
- Jan. 2007 • The Zhongshan (China) site passed the IECQ QC 080000:2005 certification.
- The Czech Republic site was registered.
- Mar. 2007 • The Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the IECQ QC 080000:2005 certification.
- Wistron recognized as one of the Best Overall for Corporate Governance in Taiwan. (source: AsiaMoney)
- May 2007 • Wistron ranked (revenue) 16th among Taiwan manufacturing companies in 2006 (source: Common Wealth magazine)
- Jul. 2007 • Wistron ranked 28th among Global Information Technology companies in 2007 (source: BusinessWeek magazine)
- Wistron ranked 28th among Taiwan Information Technology companies in 2007 (source: BusinessNext magazine in cooperation with BusinessWeek magazine)
- Acquired Wistron Optronics (Shanghai) Corporation and Wistron optronics (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Aug. 2007 • Increased NT\$1,095,692,340 through capitalization of profits. The paid-in capital amounted to NT\$13,819,260,700.
- Established Zhongshan Deyi Electrical Equipment Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2007 • Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine)
- The Philippines site, Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the TL 9000 R4.0 certification.
- Feb. 2008 • The Czech site passed the ISO 9001:2000 certification.
- Mar. 2008 • Wistron ranked in Top 100 highest growth Asian companies in 2007. (Asia: #63; Taiwan: #8; computer industry: #5) (source: Toyo Keizai magazine (Japan))
- Apr. 2008 • Acquired Changshu Pu Yuan Electronics Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- May 2008 • Wistron ranked (revenue) 14th among Taiwan manufacturing companies in 2007 (source: Common Wealth magazine)
- Wistron ranked 40th among Global Information Technology companies.

- (source: Business Week magazine)
- Wistron ranked 11th among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine)
- Established SMS (Kunshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Established Wistron Optronics (Shanghai) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Jul. 2008 • Increased NT\$240,000,000 cash offering common shares through private placement. The paid-in capital amounted to NT\$14,059,260,700.
- Aug. 2008 • Established Wistron InfoComm Technology (Zhongshan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Sep. 2008 • Increased NT\$1,107,106,390 through capitalization of profits. The paid-in capital amounted to NT\$15,166,367,090.
- Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine)
- Dec. 2008 • Acquired Hsieh-Yuh Electronics Technology (Zhong Shan) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Feb. 2009 • The Czech Republic site passed the OHSAS 18001:2007 certification.
- May 2009 • Wistron ranked (revenue) 7th among Taiwan manufacturing companies in 2008 (source: Common Wealth magazine)
- Jun. 2009 • Raised funds of US\$223.5 million by issuing 15 million units Depository Receipts at a price of US\$14.9 per unit. The paid-in capital amounted to NT\$16,666,367,090.
- Wistron ranked 8th among Global Information Technology companies. (source: Business Week magazine)
- Wistron ranked 1st among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine)
- Aug. 2009 • Increased NT\$1,839,791,170 through capitalization of profits. The paid-in capital amounted to NT\$18,506,158,260.
- The Czech Republic site passed the ISO 14001:2004 certification
- The Juarez (Mexico) site passed the OHSAS 18001:2007 certification
- Sep. 2009 • The Zongshan (China) site passed the ISO 9001:2008 certification
- Oct. 2009 • Established Wistron InfoComm (Taizhou) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Wistron recognized as one of the Asia Pacific's Best Big Public Companies. (source: Forbes Asia magazine)

- Nov. 2009 • Established WIS Precision (Taizhou) Co., Ltd. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Dec. 2009 • Established WIT Technology (Taizhou) Co., Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- Feb. 2010 • Received NT\$136,530,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,642,688,260.
- Mar. 2010 • Wistron recognized as one of the "CSR Best 65 Companies" in Taiwan. (source: Global Views Monthly)
- Apr. 2010 • Received NT\$55,250,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,697,938,260.
- May 2010 • Wistron recognized as part of Forbes' "Global 2000" and a "Global High Performer". (source: Forbes Asia magazine)
- Wistron ranked (revenue) 6th among Taiwan manufacturing companies in 2009 (source: Common Wealth magazine)
- Wistron Headquarters (Taipei) and the Hsinchu (Taiwan) site passed the ISO13485:2003 certification.
- Received NT\$4,760,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$18,702,698,260.
- Jun. 2010 • Wistron ranked 6th among Taiwan Information Technology companies. (source: BusinessNext magazine in cooperation with BusinessWeek magazine)
- Jul. 2010 • Acquired Hartec Technology (Kunshan) Co., Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- Established Wistron Advanced Materials (Kunshan) Co. Ltd with the approval of the Investment Commission, Ministry of Economic Affairs.
- Wistron ranked 10th among Top Large Enterprises of Taiwan's Best Corporate Citizens in 2010 (source: CommonWealth magazine)
- Aug. 2010 • Increased NT\$935,134,920 through capitalization of profits. The paid-in capital amounted to NT\$19,637,833,180.
- Sep. 2010 • Received NT\$3,500,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$19,641,333,180.
- Established BriVision Optronics (Zhongshan) Corp. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Oct. 2010 • Established "Wistron Foundation".
- Acquired Zongshan Global Lighting Technology Limited Co. with the approval of the Investment Commission, Ministry of Economic Affairs.
- Nov. 2010 • Received NT\$8,740,000 through converting stock options to stock shares.

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

- | | | |
|------|------|--|
| Nov. | 2011 | <ul style="list-style-type: none"> • Wistron won a TWSE's award of "Outstanding Disclosure Award for Listed Companies' Corporate Sustainability and Social Responsibility Reports". (TWSE: Taiwan Stock Exchange Corporation) • The Zhongshan (Optical Campus) site passed the ISO 14001:2004 / OHSAS18001:2007 certification. |
| Dec. | 2011 | <ul style="list-style-type: none"> • Wistron recognized by Ministry of Economic Affairs as one of "Taiwan's 100 Most Innovative Companies of 2011". • Investment on New build Service Management Solutions Colombia S.A.S.. |
| Jan. | 2012 | <ul style="list-style-type: none"> • Received NT\$1,160,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$20,849,972,340. |
| Apr. | 2012 | <ul style="list-style-type: none"> • Wistron recognized as one of Forbes Global 2000 companies. • Issued and delivered common shares to the converting holders of ECB for NT\$2,430,580, and converted employee stock options to common shares for NT\$79,330,000. The paid-in capital amounted to NT\$20,931,732,920. |
| May | 2012 | <ul style="list-style-type: none"> • The Juarez (Mexico) site passed the TL9000 R5.0 certification. • Wistron ranked 6th among Taiwan manufacturing companies. (source: Common Wealth magazine) • Received NT\$8,420,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$20,940,152,920 |
| Jun. | 2012 | <ul style="list-style-type: none"> • Wistron recognized by BusinessNext magazine as one of "Asia/Taiwan Info Tech 100" companies |
| Jul. | 2012 | <ul style="list-style-type: none"> • The Chengdu site passed the ISO9001:2008 / 14001:2004 certification. • Wistron recognized as one of Fortune Global 500 companies • established Wistron InfoComm (Qingdao) Co.,Ltd with the approval of the Investment Commission, Ministry of Economic Affairs. |
| Aug. | 2012 | <ul style="list-style-type: none"> • Wistron ranked 17th among Top Large Enterprises of Taiwan's Best Corporate Citizens (source: Commonwealth magazine) • Increased NT\$1,039,278,650 through capitalization of profits. The paid-in capital amounted to NT\$21,979,431,570. |
| Oct. | 2012 | <ul style="list-style-type: none"> • The Chongqing site passed the OHSAS18001:2007 certification |
| Nov. | 2012 | <ul style="list-style-type: none"> • The Juarez (Mexico) site passed the OHSAS18001:2007 certification • The Taizhou site passed the ISO9001:2008 certification. • The Kunshan site and Taipei R&D team passed the ISO16949:2009 certification. |
| Feb. | 2013 | <ul style="list-style-type: none"> • The Taizhou site passed the ISO14001:2004 certification. |
| Mar. | 2013 | <ul style="list-style-type: none"> • Established ANWITH (KunShan) CO.,LTD with the approval of the Investment Commission, Ministry of Economic Affairs. |
| Apr. | 2013 | <ul style="list-style-type: none"> • Received NT\$260,000 through converting stock options to stock shares. The paid-in capital amounted to NT\$21,979,691,570. |

2.6 Organization Structure

2.6.1 Business Organization

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

Mobile Business Group (“MBG”) — MBG focuses on producing notebook PCs, tablet PCs as well as mobile handheld devices such as industry handheld solutions and Smart phones.

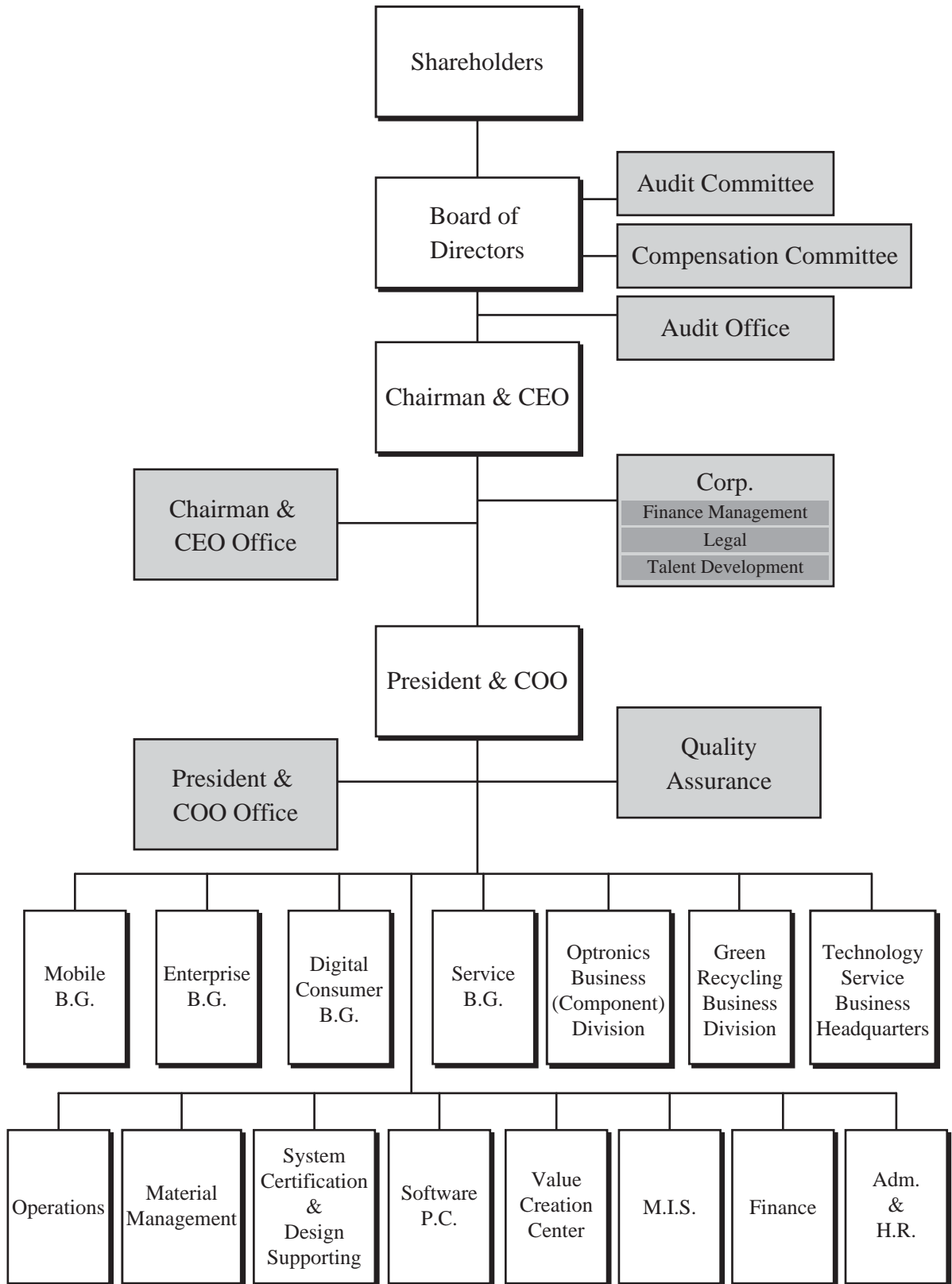
Digital Consumer Business Group (“DBG”) — DBG focuses on producing desktop PC systems, E-home products such as LCD TVs and Monitors.

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

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

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

2.6.2 Organization Chart



2.6.3 Department functions

Department	Main responsibilities
Audit office	<ol style="list-style-type: none"> 1. Assist management to ensure that the internal audit system is effectively designed and well implemented to improve the operation and to enhance the value of the organization 2. Assist managers to evaluate and improve the procedure of risk management, internal control, and corporate governance through systematic and effective procedures to achieve organization's goals 3. Assist the Audit Committee to supervise the implementation of internal control system and corporate governance
Chairman & CEO Office	Assists the Chairman & CEO to evaluate and analyze external investment and business performance for the Company and its subsidiaries to achieve corporate goals
Finance Management	Treasury, financial management, and investment
Legal	Corporate legal affairs, contracts, and business-related legal consultative services
Talent Development	Strategic talent development and management for global human resources
President & COO Office	Assist the President & COO to evaluate and analyze the Company's business performance and propose solutions to achieve corporate goals
Quality Assurance	Quality assurance and improvement actions
Mobile Business Group	Product management, development, and manufacturing for mobile products
Enterprise Business Group	Product management, development, and manufacturing for server, storage products, and industrial PC
Digital Consumer Business Group	Product management, development, and manufacturing for digital appliances and display products
Service Business Group	Customer service and technical support
Optronics Business (Component) Division	Product management, development, and manufacturing for Optical display components and Modules, Optical Touch components and Modules
Green Recycling Business Division	Responsible for electronic wastes collection, dismantling, refining, and recycling related business
Technology Service Business Headquarters	Responsible for the integration of technology and product development to provide value-added platform for customers
Operations	Global production, manufacturing capacity allocation, and efficiency enhancement among factories

Department	Main responsibilities
Material Management	Global material planning, purchasing, logistic support, and supplier quality management
System Certification & Design Supporting	System Certification & Design supporting
Software Product Center	Development of system application software
Value Creation Center	Development of high value-add, innovative products and technologies
M.I.S.	Information system development and design
Finance	Finance, accounting service, tax service, and providing reports to profit units
Administration and H.R.	Human resource, employee communication, employee training and general affairs

2.7 Products

2.7.1 Current Main Products and Services:

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

2.7.2 New Product & Services Development:

- (1) Educational technology business services
- (2) Connected Home business services

2.8 Services

2.8.1 Design

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

2.8.2 Manufacturing

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

2.8.3 After-sales service

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

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

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

2.9.1 Information of Board of Directors (April 16, 2013)

Title	Name	Date of Election	Term	Shares Held When Elected		Current Shareholding		
				Number	Percentage	Number	Percentage	
Chairman & CEO	Simon Lin	06/21/2012	3	23,299,935	1.11	24,464,931	1.11	
Director	Stan Shih	06/21/2012	3	2,281,230	0.11	2,395,291	0.11	
Director	Haydn Hsieh	06/21/2012	3	887,483	0.04	931,857	0.04	
Director & President & COO	Robert Hwang	06/21/2012	3	1,261,000	0.06	1,324,050	0.06	
Director (Note1)	Acer Inc.	06/23/2009	3	66,109,656	4.36	-	-	
	Philip Peng (The representative of Acer Inc.)	06/23/2009	3	467,042	0.03	-	-	

	Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Number	Percentage			Title	Name	Relationship
	1,283	0	Bachelor	Chairman & CEO of Wistron Chairman & CSO of Wistron NeWeb Chairman of AOI Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICIP Independent Director of Neo Solar Power Corp. Director of Keen High Independent Director of TPKH Chairman of Wiwynn	-	-	-
	322,210	0.01	Master	Chairman of iD SoftCapital Group Director of Acer Director of Qisda Independent Director of TSMC Director of Nanshan Life Insurance Co., Ltd. Chairman of National Culture and Arts Foundation	-	-	-
	11,017	0	Bachelor	Vice Chairman & CEO of Wistron NeWeb Director of AOI Director of aEnrich Technology Corp. Independent Director of Raydium	-	-	-
	148,552	0.01	Master	Director & President & COO of Wistron Director of AnexTEK Director of WLB Chairman of Wistron Optronics Corp. Director of Goba Lighting Technologies Inc. Director of Mintek Thin Film Corp. Director of Nolvate Advanced Ltd.	-	-	-
	-	-	-	-	-	-	-
	-	-	Master	President of iD SoftCapital Inc. Director of Acer Chairman of Smart Capital Corp. Director of Wistron NeWeb Director of AOI Supervisor of Wistron ITS Director of Chung Hwa Investment Co., Ltd.	-	-	-

Title	Name	Date of Election	Term	Shares Held When Elected		Current Shareholding		
				Number	Percentage	Number	Percentage	
Independent Director	John Hsuan	06/21/2012	3	0	0	0	0	
Independent Director	Michael Tsai	06/21/2012	3	0	0	0	0	
Independent Director	James K.F. Wu	06/21/2012	3	0	0	0	0	
Independent Director	Victor C.J. Cheng	06/21/2012	3	66,614	0	69,944	0	
Independent Director	Duh-Kung Tsai	06/21/2012	3	0	0	0	0	

Note1: Mr. Philip Peng (The representative of Acer Inc.) resigned the director on June 21,2012

Note2: Mr. Duh-Kung Tsai was elected as an independent director on June 21,2012

	Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
	Number	Percentage			Title	Name	Relationship
	392,188	0.02	Bachelor	Emeritus vice-chairman of UMC Chairman of Faraday Technology Corp. Chairman of NCTU Venture Capital Co., Ltd Chairman of Maxima Capital Management, Inc. Independent Director of Compal Director of KOPIN Taiwan	-	-	-
	0	0	Bachelor	Chairman of MAXCHIP Chairman of Zentel Director of Powerchip Semiconductor Corp. Independent Director of Koryo Electronics Co., Ltd. Independent Director of LINPUS	-	-	-
	5,086	0	Bachelor	Independent Director of LITE-ON Independent Supervisor of ADVANTECH	-	-	-
	0	0	Doctorate	Director of LOTES Co., Ltd. Independent Supervisor of Asus Independent Supervisor of Apacer Taiwan Director of KINSUS Independent Director of eChem Solutions Corp.	-	-	-
	0	0	Bachelor	Chairman & CEO of PTI Chairman of Kingston Technology Far East Corp. Chairman of Macrotech Technology Inc. Chairman of GTK Independent Director of CCI Independent Director of Compal Independent Director of Chicony Power	-	-	-

2.9.2 Information of Key Managers (April 16,2013)

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
			Number	Percentage	Number	Percentage	
Chairman & CEO	Simon Lin	01/28/2003	24,464,931	1.11	1,283	0	
Director & President & COO	Robert Hwang	06/08/2007	1,324,050	0.06	148,552	0.01	
Chief Staff Officer	Frank F.C Lin	01/01/2002	810,680	0.04	6,806	0	
Chief Finance Officer	Henry Lin	09/16/2002	155,634	0.01	0	0	
President, MBG	Donald Hwang	06/08/2007	475,490	0.02	0	0	
President, EBG	Emily Hong (Note)	08/01/2001	-	-	-	-	
President, DBG	David Shen	06/08/2007	302,068	0.01	12,325	0	
President, SBG	Andy Wang	12/13/2004	87,769	0	0	0	
General Plant Manager	Kenny Wang	06/08/2007	803,395	0.04	0	0	

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Bachelor	Chairman & CEO of Wistron Chairman & CSO of Wistron NeWeb Chairman of AOI Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Corp. Director of Keen High Independent Director of TPKH Chairman of Wiwynn	-	-	-
	Master	Director & President & COO of Wistron Director of AnexTEK Director of WLB Chairman of Wistron Optronics Corp. Director of Gobal Lighting Technologies Inc. Director of Mintek Thin Film Corp. Director of Nolvate Advanced Ltd.	-	-	-
	Bachelor	Director of Wistron NeWeb Director of AOI Chairman of AnexTEK Director of Wistron ITS Director of Changing Supervisor of aEnrich Technology Corp. Chairman of WiseCap Ltd. Chairman of WLB Supervisor of Formosoft Director of IP Fund II Director of IP Fund Six Independent Director of ISSC	-	-	-
	Master	Independent Director of Young Optics Independent Director of RDC Independent Director of AVer Director of Browave Director of AOI	-	-	-
	Master	Director of ISL Director of Maya	-	-	-
	Master	Director & Presiden of Wiwynn	-	-	-
	Master	Director of Hanergy Technology Corp.	-	-	-
	Bachelor	-	-	-	-
	Bachelor	-	-	-	-

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		
			Number	Percentage	Number	Percentage	
General Auditor	M.Y. Lin	01/01/2002	1,011,626	0.05	83,182	0	
Controller	Stone Shih	01/01/2002	569,694	0.03	2,200	0	
Chief Information Officer	Y.H. Sung	04/25/2011	365,575	0.02	100,405	0	
Chief Administration Officer	Terry Lu	04/25/2011	825,953	0.04	0	0	
Chief Material Officer	Ben Cheng	04/25/2011	989,022	0.04	0	0	
Chief Quality Officer	R.R. Chang	04/25/2011	70,199	0	0	0	

Note: Ms. Emily Hong resigned the manager on April 2, 2012.

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

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

- (1) No less than 5 percent of profit from the current year as employees' bonus shall be included; where such bonus is distributed by shares, employees of controlled companies, with qualifications set by the Board of Directors;
- (2) One percent (1%) of profit from the current year as the remuneration in cash to the Directors
- (3) The rest as working capital of the Company and dividends to shareholders.

	Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
			Title	Name	Relationship
	Doctorate	-	-	-	-
	Master	Director of WiseCap Ltd. Director of WLB Supervisor of Wistron Optronics Corp. Supervisor of ISL Supervisor of AnexTEK Supervisor of Wiwynn Supervisor of Maya	-	-	-
	Bachelor	-	-	-	-
	Bachelor	Director of Anex TEK Director of WiseCap Ltd. Director of WLB	-	-	-
	Bachelor	-	-	-	-
	Master	Chairman of ISL	-	-	-

The total compensation for the President and vice president(s) comprises (i) primarily variable items, including performance bonus, dividend (distribution in cash or stock), and stock option; and (ii) secondary fixed items, including base salary, annual bonus, and benefits. The fixed items remain competitive with the average level of the industry, while variable items are distributed taking into account both company operating result and personal performance as a whole. The better the results of Company operations and personal performance, the higher the ratio between variable items and fixed items. Evaluation and review of personal performance of the President and vice president(s) are based upon achievement of operating goal, profit ratio, growth rate, operating earnings and efficiency, as well as potential for future development. Criteria for evaluation and review are set forth in the beginning of the year, taking into account internal and external factors of business environment of that particular year. All weighting factors are subject to the Chairman and CEO's final approval then implemented accordingly. Thereafter, the Chairman and CEO will determine compensation to be paid to the President and vice president(s) based upon his evaluation and review of their personal performance respectively.

2.11 Labor Relations

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

(1) Employee benefits:

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

(2) Training and development:

In year 2012, Wistron took around 12 million NT dollars for training budget and offered 689 training courses which accounted for 1,917 training hours and 45,691 participants in total. The major training items are “New Employee Training”, “CS2R”, “Management Training”, “English” and “Culture Workshop”. Wistron believes the constant enhancement of workforce quality is one of the key driving forces for the Company’s long-term development and sustaining in the market.

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

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

Meanwhile, Wistron has extended the application of e-Learning to external counterparts, such as suppliers, to deliver its quality standard and RoHS compliance requests. E-Learning

not only helps Wistron employees accelerate the understanding of Wistron internal quality policies, processes and acquire the knowledge of necessary tools, but also helps external suppliers understand and meet Wistron's quality policies to deliver zero-defect products and services to Wistron's customers.

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

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

(3) Retirement plan:

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

(4) Labor Relations:

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

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

3. Operational Highlights

3.1 Key Accounts in the Past Two Years

3.1.1 Key Suppliers

Unit: Thousand NT\$

	2011				2012			
	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron
1	Wistron InfoComm Manufacturing (Kunshan)	246,391,128	43.18	(NOTE)	Wistron InfoComm Manufacturing (Kunshan)	158,417,613	27.43	(NOTE)
2	Wistron InfoComm (Kunshan) Co., LTD	125,862,288	22.06	(NOTE)	Wistron InfoComm (Kunshan) Co.	138,800,177	24.04	(NOTE)
3	Cowin Worldwide Corp.	94,611,829	16.58	(NOTE)	Cowin Worldwide Corp.	86,169,872	14.92	(NOTE)
4	Others	103,786,014	18.18	-	Wistron InfoComm Technology (Kunshan)	81,594,331	14.13	(NOTE)
5					Others	112,477,319	19.48	-
	Total	570,651,259	100.00	-	Total	577,459,312	100.00	-

NOTE : Subsidiary of the Company

3.1.2 Key Buyers

Unit: Thousand NT\$

	2011				2012			
	From	Amount	Percentage of total net sales (%)	Relationship with Wistron	From	Amount	Percentage of total net sales (%)	Relationship with Wistron
1	Buyer H	136,522,526	23.28	(NOTE2)	Buyer B	129,766,889	21.67	
2	Buyer B	105,583,837	18.00		AIIH	88,780,051	14.83	(NOTE3)
3	AIIH	87,813,450	14.97		Buyer H	87,679,263	14.64	
4	Acer	75,913,928	12.95	(NOTE1)	Buyer D	69,806,890	11.66	
5	Others	180,643,442	30.80		Others	222,725,500	37.20	
	Total	586,477,183	100.00		Total	598,758,593	100.00	

NOTE 1: Major Stockholder of the Company

NOTE 2: The Notebook business increased

NOTE 3: Subsidiary of the Company

3.2 Production Value in the Most Recent Two Years

Unit: PCS;Thousand NT\$

Major Product	2011			2012		
	Capacity	Quantity	Value	Capacity	Quantity	Value
NB Computer	37,557,000	33,425,626	452,041,697	39,856,000	33,877,661	447,244,150
Desktop PC	40,147,000	11,743,186	59,452,259	40,776,000	13,695,054	59,258,108
Others		20,374,566	89,345,927		18,925,480	104,630,171
Total	77,704,000	65,543,378	600,839,883	80,632,000	66,498,195	611,132,429

3.3 The Sales Value in the Most Recent Two Years

Unit: PCS;Thousand NT\$

Major Product	2011				2012			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
NB Computer	202,615	4,038,219	31,267,607	439,139,915	318,857	4,451,805	32,394,536	434,022,852
Desktop PC	57,931	592,923	10,465,220	56,028,276	19,199	272,962	12,476,970	56,163,331
Others	101,542	988,136	22,570,463	85,689,714	123,536	1,210,890	20,365,097	102,636,753
Total	362,088	5,619,278	64,303,290	580,857,905	461,592	5,935,657	65,236,603	592,822,936

3.4 Taiwan Employee Data during the Past Two Years

Year	2011	2012	
Employee Number	Sales	716	819
	Engineers	3,408	3,634
	Administration	739	892
	Direct Labor	506	1,139
	Total	5,369	6,484
Average Age	34.14	33.98	
Average Seniority	5.33	5.32	

3.5 Environmental Protection Measures

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

(1)Product Research and Development:

All products developed by Wistron have fully conformed to the European Union's RoHS requirements. Furthermore, we are actively paying close attention to other environmental protection trends, such as Green House Gas, Product Carbon Footprint, Halogen-free, REACH, ErP, PAHs, PFOS, and the US EPEAT (Electronic Product Environmental Assessment Tool). From product development to environmental protection design, 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 areas and establish reduction goals. 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 based on the expert's diagnostic report to improve the energy efficiency for major equipment and implemented the energy saving lighting to reduce the power consumption.

(3)Quality Control:

Wistron has established hazardous substance analysis laboratories in Taiwan, China, Czech, and Mexico, and continuously develops other overseas bases of operation to complete the overall arrangement of a global hazardous substance testing network and ensure that components and products comply with environmental protection requirements.

(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. 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 2010. Our philosophy is to implement source management programs to minimize risks.

(5) Personnel:

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

(6) Information System:

Wistron has established a Green Product Management system – GPM; suppliers may directly upload related environmental protection information into Wistron's GPM database through the internet so as to simplify procedures, minimize human error, and enhance task efficiency. The flexibility of the interface allows it to cope with future environmental protection requirements. Moreover, GPM could generate customized format report to declare the green product information to customers. Moreover, Wistron has developed a product Carbon Footprint Management system(CFM) to inventory the total emission of carbon dioxide for whole product lifecycle as well as passed the verification by 3rd party.

3.6 Corporate sustainability and social responsibility

3.6.1 Awareness and commitment

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

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

3.6.2 Corporate sustainability and social responsibility management

We recognize that environmental and social topics are too big for any single organization to address alone, therefore Wistron set up a Corporate Sustainability and Social Responsibility Implementing Committee (“CS²R Implementing Committee”). The CS²R Implementing Committee is the highest internal unit in managing Wistron’s CS²R affairs. Serving as Chairperson of the committee, the COO is responsible for setting policies, objectives and directions, as well as conducting management review.

In order to ensure that the policies and resolutions of the CS²R Implementing Committee are implemented, Wistron has established five corresponding management systems in response to the five key issues of quality, green products, environmental protection, occupational safety and health, and social responsibility. Through these management systems, Wistron strives to align itself with international standards, acquire relevant management system certifications, and integrate sustainability and social responsibility policies and objectives into daily business operations.

3.6.3 Corporate sustainability and social responsibility progress

- (1) Since 2009, Wistron has responded to the Carbon Disclosure Project (CDP) questionnaire annually, in voluntary disclosure of our climate risks, as well as looking for opportunities for future development, emissions information and management strategies.
- (2) Since 2010, Wistron’s corporate greenhouse gas (GHG) goal has been to “reduce unit revenue GHG emissions by 1% year-over-year”.
- (3) Since 2010, Wistron has released an annual report of corporate sustainability and social responsibility. The preparation of this report followed the Sustainable Reporting Guideline, version G3.1 (GRI G3.1), published by Global Reporting Initiative (GRI). The content of this report has been verified by an independent third party verifier, based on AA1000 standards, in compliance with the requirements of the GRI G3.1.
- (4) In sustainability and innovation, Wistron has established a “Green Recycling Business Division” centered on the idea that “no pollution should be generated the second time around.” By using recycling technologies for many types of resources, Wistron aims to recycle electronic waste (plastics, circuit boards, batteries, and displays) and turn them into high-quality raw materials so that these recycled resources can be used again. Such moves help to protect the environment and reduce resource waste, and also help to reduce greenhouse gas emissions.
- (5) As one of members of the Electronic Industry Citizenship Coalition (EICC), Wistron fully supports the vision and goals of the EICC, as well as its code of conduct on Environmental,

Ethics, Labor and Health & Safety.

For more information, please refer to our CS²R report at <http://www.wistron.com.tw>

3.6.4 The Wistron Foundation

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

We aim to expand Wistron's business philosophy of "Benefiting Others" from the community to the entire society. For a long time, Wistron has been involved in the activities of caring for humanity and the environment through sponsorships in a variety of public welfare projects, including donations to disadvantaged children and remote schools, and cooperating with prospected NGO/NPO partners. From the four principles, "protecting the planet," "cherishing life," "improving quality," and "creating value," we expanded the focus into several issues, "teaching humanism," "concern for humanity," "environmental education," and "concern for the environment." We enlarged our corporate culture of respecting and protecting nature to include our responsibilities and actions as a citizen of Earth and expect to build an interactive, harmonious, mutual-reliant, and win-win relationship through balancing "technology and humanity," "humanity and the environment," and "nature and civilization." Our goal is to create a positive and sustainable cycle for all lives on Earth.

For more information, please visit the website of Wistron Foundation
<http://www.wistron-foundation.org>

4. Company Shares and Fund Raising

4.1 Capital and Shares (April 16, 2013)

4.1.1 Changes in share capital

Unit: Shares

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
May 30, 2001	Issuance of Shares	1,000,000	1,000,000
August 31, 2001	New issuance of Shares	99,000,000	100,000,000
April 2, 2002	Consideration to purchase assets from Acer	400,000,000	500,000,000
July 1, 2002	New issuance of Shares	300,000,000	800,000,000
March 21, 2003	Issuance of employee stock option	9,962,000	809,962,000
August 12, 2003	Issuance of employee stock option	1,835,000	811,797,000
November 7, 2003	New issuance of Shares and issuance of employee stock option	59,128,100	870,925,100
April 7, 2004	Issuance of employee stock option	11,474,000	882,399,100
September 23, 2004	New issuance of Shares and issuance of employee stock option	66,591,955	948,991,055
January 20, 2005	Issuance of employee stock option	323,000	949,314,055
April 15, 2005	Issuance of employee stock option	1,427,000	950,741,055
June 29, 2005	Issuance of employee stock option	7,650,000	958,391,055
October 27, 2005	New issuance of GDR and issuance of employee stock option and issuance of ECB transferred.	182,177,872	1,140,568,927
January 12, 2006	Issuance of employee stock option and issuance of ECB transferred.	37,705,313	1,178,274,240
April 3, 2006	Issuance of employee stock option and issuance of ECB transferred.	18,087,896	1,196,362,136
August 28, 2006	New issuance of Shares	75,994,700	1,272,356,836
August 28, 2007	New issuance of Shares	109,569,234	1,381,926,070
July 22, 2008	Issuance of common stocks through private placement	24,000,000	1,405,926,070
September 19, 2008	New issuance of Shares	110,710,639	1,516,636,709
July 30, 2009	New issuance of GDR	150,000,000	1,666,636,709
August 24, 2009	New issuance of Shares	183,979,117	1,850,615,826
February 3, 2010	Issuance of employee stock option	13,653,000	1,864,268,826
April 6, 2010	Issuance of employee stock option	5,525,000	1,869,793,826

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
May 13, 2010	Issuance of employee stock option	476,000	1,870,269,826
August 27, 2010	New issuance of Shares	93,513,492	1,963,783,318
September 9, 2010	Issuance of employee stock option	350,000	1,964,133,318
November 8, 2010	Issuance of employee stock option	874,000	1,965,007,318
March 25, 2011	Issuance of employee stock option	20,572,000	1,985,579,318
May 5, 2011	Issuance of employee stock option	573,000	1,986,152,318
September 14, 2011	New issuance of Shares and issuance of employee stock option	98,728,916	2,084,881,234
January 10, 2012	Issuance of employee stock option	116,000	2,084,997,234
April 12, 2012	Issuance of employee stock option and issuance of ECB transferred.	8,176,058	2,093,173,292
May 15, 2012	Issuance of employee stock option	842,000	2,094,015,292
August 21, 2012	New issuance of Shares	103,927,865	2,197,943,157
April 10, 2013	Issuance of employee stock option	26,000	2,197,969,157

Unit: Shares

Shares Category	Authorized capital				Notes
	Issued shares (note)		Non-issued	Total	
	Listed	Non-listed			
Common shares	2,197,969,157	0	802,030,843	3,000,000,000	Stock option 105,000,000 shares

4.1.2 Shareholding Structure

Category/Number	Government Institution	Financial Institution	Other Institution	Individual	FINI	Treasury Stock	Total
No. of Shareholders	7	8	227	108,635	813	1	109,691
No. of Shareholding	64,973,105	43,274,853	295,016,092	580,822,345	1,198,424,762	15,458,000	2,197,969,157
Percentage (%)	2.96	1.97	13.42	26.43	54.52	0.70	100.00

4.1.3 Distribution of Shareholdings

Category by shareholdings	No. of Shareholders	Number of Shares	Percentage(%)
1 ~ 999	51,226	10,902,637	0.50
1,000 ~ 5,000	38,828	82,348,646	3.75
5,001 ~ 10,000	8,984	62,406,701	2.84
10,001 ~ 15,000	3,866	45,865,643	2.09
15,001 ~ 20,000	1,589	27,713,684	1.26
20,001 ~ 30,000	1,865	44,633,557	2.03
30,001 ~ 50,000	1,286	49,681,692	2.26
50,001 ~ 100,000	887	61,208,928	2.78
100,001 ~ 200,000	430	59,558,383	2.71
200,001 ~ 400,000	252	70,991,246	3.23
400,001 ~ 600,000	98	48,691,987	2.21
600,001 ~ 800,000	67	46,465,827	2.11
800,001 ~ 1,000,000	46	41,082,492	1.87
1,000,001 and above	267	1,546,417,734	70.36
Total	109,691	2,197,969,157	100.00

4.1.4 List of Major Shareholders

Name	Shares	Number	Percentage(%)
Cathay Life Insurance Co.,Ltd.		88,434,473	4.02
The Master Trust Bank of Japan, Ltd. as trustee of PCA Asia Oceania High Dividend Equity Mother Fund		54,163,833	2.46
Fubon Life Insurance Company Limited		45,522,976	2.07
Acer Incorporated		45,489,349	2.07
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds		44,960,390	2.05
GMO Emerging Markets Fund		39,542,272	1.80
Chunghwa Post Co.,Ltd.		37,034,540	1.68
Management Board of Public Service Pension Fund		36,846,230	1.68
Prudential Assurance Company Ltd		32,679,781	1.49
Wistron Corp. Global Depositary Receipts		31,141,926	1.42

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

Unit: NT\$

Item		Period	2011	2012
Market Price Per Share	Highest		61.10	50.10
	Lowest		30.40	26.70
	Average		45.14	37.43
Net Value Per Share	Before Distribution		29.74	28.40
	After Distribution		27.03	-
Earnings Per Share	Weighted Average Share Numbers (thousand shares)		2,078,836	2,181,570
	Earnings Per Share	Current	4.36	3.06
		Adjusted	4.15	-
Dividend Per Share	Cash Dividend (NT\$)		2.2	1.5
	Stock Dividend	Retained Earnings (%)	0.5	0.5
		Capital Surplus (%)	0	0
	Accumulated unpaid dividends		0	0
Return on Investment Analysis	P/E Ratio		10.35	12.23
	P/D Ratio		20.52	24.95
	Cash Dividend Yield		4.87%	4.01%

4.1.6 Dividend Policy

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

- (1) No less than 5 percent of profit from the current year as employees’ bonus shall be included; where such bonus is distributed by shares, employees of controlled companies , with qualifications set by the Board of Directors;
- (2) One percent (1%) of profit from the current year as the remuneration in cash to the Directors

(3) The rest as working capital of the Company and dividends to shareholders.

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 shares shall not be less than ten percent (10%) of the total dividends.

4.1.7 Dividend Distribution Plan that is Proposed to be Resolved in This General Shareholders' Meeting

The Board adopted a proposal for 2012 profit distribution at its quarterly meeting on March 26, 2013. The proposed profit distribution will take effect upon the approval of shareholders at the Annual Shareholders' Meeting on June 14, 2013.

Proposal for Distribution of 2012 Profits

Unit: NT\$

Legal Reserve	666,643,074
Special Reserve Return	2,050,858,282
Stock Dividends to Common Shareholders (NT\$0.5 per share at par value, i.e., 50 shares for each 1,000 shares owned)	1,091,255,580
Cash Dividends to Common Shareholders (NT\$1.5 per share)	3,273,766,736
Note:	
Bonus to Employees	640,002,130
Remuneration to Directors	59,997,877

4.1.8 Bonuses to Employees and Remunerations to Directors,

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

(2) The Board of Directors proposed a dividend distribution plan of 2012 as follows:

A. NT\$ 640,002,130 as stock bonuses to employees, NT\$ 59,997,877 as remuneration to directors.

B. The employee bonus of NT\$ 640,002,130 in 2012 will be distributed by stocks with the price per share calculated in accordance with the closing price on the day prior to 2013 Annual General Shareholder's Meeting as and the cash and stock dividend distributed to shareholders. The fractional share will be substituted with cash.

C. The estimated EPS is NT\$3.06, after taking consideration of the bonuses or remuneration distributed to employees and directors respectively.

(3) The Bonuses to Employees and Remunerations to Directors in 2011:

	2011			
	Board Resolution	Actual Result (Note1)		
	Amount (NT\$)	Amount (NT\$)	Underlying Number of Shares	Dilution (%)
Employee Profit Sharing in Cash	1,087,479,699	1,087,479,699	-	-
Employee Profit Sharing in Stock	0	0	-	-
Remunerations to Directors	81,585,252	81,585,252	-	-
Total	1,169,064,951	1,169,064,951	-	-

Note1: Each of the above three items, after being approved by the Board, has been expensed at the same amount under the Company's 2011 income statements.

4.1.9 Treasury Stocks

Date : May 10, 2013

Term of Buyback	The First Buyback in Year 2010
Purpose of Buyback	Shares Transferred to Employees
Period of Buyback	Jun. 21, 2010 to Aug. 20, 2010
Price Range of Buyback	NT\$45 to NT\$60
Class and Quantity of Bought back	Common Shares : 17,474,000 shares
Amount of Shares Bought back	NT\$ 878,939,800
Number of Shares having been Written off and Transferred	2,016,000 shares
Number of the Company Shares Held in accumulation	15,458,000 shares
Number of the Company Shares Held in accumulation out of the Total Number of Shares issued (%)	0.7%

4.2 Issuance of Corporate Bonds

Date : May 10, 2013

Corporate Bonds Type	The 2nd Overseas Unsecured Convertible Bonds
Issuing (Processing) Date	January 19, 2012
Denomination	US\$200,000
Listing	Stock Exchange of Singapore
Issue Price	US\$100
Issue Size	US\$280,000,000
Coupon Rate	0%
Term	3 years Maturity Date: January 19, 2015
Guarantor	None
Fiduciary	Citigroup International Limited
Underwriters	Oversea: DBS Bank Ltd; Deutsche Bank AG, Hong Kong Branch; UBS AG Hong Kong Branch Domestic: SinoPac Securities
Legal Counsel	None
Auditor	KPMG LLP Auditors: Oliver Chang,
Repayment	The Bonds will be repaid in whole by the Issuer on the Maturity Date at the amount of the par value of the Bonds plus a gross yield of 1.5% per annum, calculated on a semi-annual basis.
Outstanding Amount	US\$274,600,000
Redemption or Early Repayment Clause	1. The Issuer may redeem the Bonds in whole or in part at any time after eighteen (18) months following the Issue Date at the Early Redemption Price, if either the closing prices or the average closing price of the Issuer's common shares traded on the Taiwan Stock Exchange ("TSE") for twenty (20) consecutive trading days (converted into US dollars at the prevailing exchange rate) exceeds 120% of the Early Redemption Price divided by the Conversion Ratio (the principal amount of each Bond converted into NT dollars at the fixed exchange rate of US\$1=NT\$29.957 (the "Fixed Exchange Rate") divided by the then prevailing Conversion Price) by giving a redemption notice within 10 days of such occurrence and pay the Early Redemption Price within

		<p>40 to 60 days following the notice. The determination mechanism for choosing closing price or average closing price and the determination mechanism for the prevailing exchange rate will be jointly determined by the Issuer and the Lead Underwriters on the Pricing Date taking into consideration the conditions of the market.</p> <p>2. The Issuer may redeem the outstanding Bonds in whole, or in part, at the Early Redemption Price, in the event that over 90% of the Bonds have been redeemed, repurchased and cancelled, or converted.</p> <p>3. In the event of certain changes in R.O.C. taxation resulting in the increase of tax obligation or the necessity to pay additional interest expense or increase of additional costs to the Issuer, the Issuer may redeem the outstanding Bonds in whole, but not in part, at the Early Redemption Price. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.</p>
Covenants		None
Credit Rating Agency/Date/Rating		None
Other rights of Bondholders	Number of converted common shares	US\$400,000
	Issuance and Conversion Method	In accordance with the indicated Offering Plan for the issue of the Unsecured Convertible Bonds.
Dilution Effect and Other Adverse Effects on Existing Shareholders		When the entire second Overseas Unsecured Convertible Bonds convert into common shares at a conversion price of NT\$44.05 per share, the maximum share dilution will be 8.5 percent. In addition, this Convertible Bond is issued at premium; therefore, it will not be a material adverse effect on the shareholders' equity.
Custodian		Citibank, N.A., London Branch

4.3 GDR Issuance: Issuance of Global Depositary Shares

Date : March 31, 2013

Date of Issuance	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 GDS	US\$ 9.3448	US\$14.9	
Units Issued	42,265,107		
Underlying Securities	422,651,096 shares		
Common Shares Represented	422,651,096 shares		
Rights and Obligations of GDS 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.		
GDSs Outstanding	3,109,847 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 GDSs 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 GDS	2012	High	US\$ 15.86
		Low	US\$ 9.12
		Average	US\$ 12.31
	01/01/2013~03/31/2013	High	US\$ 12.19
		Low	US\$ 10.17
		Average	US\$ 11.22

4.4 Employee Stock Options

Date : May 10, 2013

Employee Stock Option Granted	First Grant of 2007
Approval Date by the Authority	November 15, 2007
Grant Date	November 16, 2007
Number of Options Granted	105,000,000
Percentage of Shares Exercisable to Outstanding Common Shares	4.78%
Option Duration	7 years
Source of Option Shares	New Common Share
Vesting Schedule	2009/11/17 up to 1/3 2010/11/17 up to 2/3 2011/11/17 up to 3/3
Shares Exercised	51,235,000
Value of Shares Exercised	NT\$ 46.7 / NT\$ 42.5 / NT\$37.6 / NT\$33.6
Shares Unexercised	53,765,000
Adjusted Exercise Price Per Share	NT\$ 33.6
Percentage of Shares Unexercised to Outstanding Common Shares	2.45%
Impact on Shareholders' Equity	Dilution to Shareholders' Equity is limited

4.5 Implementation of the Company's Fund Raising and Utilization

(1) Implementation:

Total fund raised: USD\$280,000,000 with the conversion price NT\$49.3 at exchange rate USD/NTD29.957.

The total proceeds to the company from this offering all used for the purchase of overseas materials.

(2) Finance Analysis:

- a. Generating the revenue growth with sufficient working capital.
- b. Lowering the foreign exchange risk
- c. Saving interest expense

5. Financial Standing

5.1 Most Recent 5-Year Concise Financial Information

5.1.1 Most Recent 5-Year Balance Sheet

Unit: Thousand NT\$

Item		Period	Most recent 5-Year Financial Information				
			2008	2009	2010	2011	2012
Current assets			83,578,899	124,439,382	132,189,851	141,272,625	129,694,808
Fund and Long-term equity investments			17,830,264	25,889,783	38,589,492	49,761,944	59,131,141
Net property, plant and equipment			4,076,404	3,629,796	5,507,480	8,174,216	8,207,446
Intangible assets			2,020,162	1,664,425	1,822,028	1,649,625	1,536,237
Other assets			387,164	313,244	338,388	450,877	454,547
Total assets			107,892,893	155,936,630	178,447,239	201,309,287	199,024,179
Current Liabilities	Before Distribution		59,908,638	95,275,485	119,201,949	136,665,831	122,466,891
	After Distribution		61,546,606	100,325,214	125,501,720	125,501,720	-
Long-term liabilities			9,858,000	5,765,400	0	0	11,024,524
Other liabilities			1,255,030	1,817,092	2,375,610	3,093,685	3,540,224
Total Liabilities	Before Distribution		71,021,668	102,857,977	121,577,559	139,759,516	137,031,639
	After Distribution		72,659,636	107,907,706	127,877,330	144,332,342	-
Common stock			15,166,367	18,642,688	19,808,953	20,849,972	21,979,432
Capital surplus			11,105,667	18,147,973	18,965,184	19,232,167	19,536,225
Retained Earnings	Before Distribution		10,357,759	16,216,460	22,261,938	24,042,857	25,097,183
	After Distribution		7,081,824	10,231,597	14,977,828	18,430,752	-
Unrealized gain (loss) of financial instruments			(398,467)	101,938	(90,909)	(172,407)	(269,282)
Translation adjustments and other equity adjustment			651,450	54,563	(2,994,787)	(1,441,163)	(3,278,911)
Unrecognized pension cost			(11,551)	(84,969)	(201,759)	(178,336)	(294,572)
Stockholders' Equity	Before Distribution		36,871,225	53,078,653	56,869,680	61,549,771	61,992,540
	After Distribution		35,233,257	48,028,924	50,569,909	56,976,945	-

5.1.2 Most Recent 5-Year Concise Income Statement

Unit: Thousand NT\$

	Most Recent 5-Year Financial Information				
	2008	2009	2010	2011	2012
Operating revenue	422,281,368	523,117,732	546,628,156	586,477,183	598,758,593
Gross profit	20,206,833	23,522,681	25,857,793	24,470,021	24,598,899
Operating income	5,998,704	6,715,708	8,359,233	5,941,154	5,674,337
Non operating income	2,909,150	4,713,161	6,244,502	5,008,875	3,489,762
Non operating expense	(520,136)	(285,575)	(828,924)	(762,099)	(1,036,290)
Income from continuing operations before income taxes	8,387,718	11,143,294	13,774,811	10,187,930	8,127,809
Net income for continuing operations	6,877,929	9,134,636	12,030,342	9,065,028	6,666,431
Income from discontinued operations, net of income tax effect	0	0	0	0	0
Extraordinary gain (loss)	0	0	0	0	0
Translation adjustments and other equity adjustment	0	0	0	0	0
Net income	6,877,929	9,134,636	12,030,342	9,065,028	6,666,431
EPS	3.77	4.75	5.86	4.15	3.06

5.1.3 CPAs and Their Opinions for Most Recent 5-Year

Year	Name of CPA	Auditor's Opinion
2008	Chia-Hsin, Chang, Shu-Yu, Lin	Unqualified opinion with an explanatory paragraph.
2009	Chia-Hsin, Chang, Shu-Yu, Lin	Unqualified opinion
2010	Chia-Hsin, Chang, Shu-Yu, Lin	Unqualified opinion
2011	Ya-Ling, Chen, Shu-Yu, Lin	Unqualified opinion
2012	Ya-Ling, Chen, Shu-Yu, Lin	Unqualified opinion

5.2 Most Recent 5-Year Financial Analysis

Item		Period	Most recent 5-Year Financial Information					
			2008	2009	2010	2011	2012	
Financial ratio (%)	Total liabilities to total assets		65.83	65.96	68.13	69.43	68.85	
	Long-term debts to fixed assets		1146.33	1621.14	1032.59	752.97	889.64	
Ability to payoff debt (%)	Current ratio		139.51	130.61	110.90	103.37	105.90	
	Quick Ratio		128.40	125.31	108.09	97.24	99.08	
	Interest protection		17.65	42.91	37.96	17.14	9.07	
Ability to operate	A/R turnover (times)		7.01	6.26	5.27	5.28	5.60	
	A/R turnover days		52	58	69	69	65	
	Inventory turnover (times)		67.56	94.19	158.56	126.02	90.08	
	Account payable turnover (times)		8.76	7.43	6.92	7.38	7.97	
	Days sales outstanding		4	2	3	3	4	
	Fixed assets turnover (times)		103.59	144.12	99.25	71.75	72.95	
	Total assets turnover (times)		3.91	3.35	3.06	2.91	3.01	
Earning ability	Return on assets (%)		7.69	7.08	7.37	5.05	3.74	
	Return on equity (%)		19.76	20.31	21.88	15.31	10.79	
	To pay-in capital %	Operating income		39.50	36.02	42.20	28.49	25.82
		PBT		55.30	59.77	69.54	48.86	36.98
	Net income ratio (%)		1.63	1.75	2.20	1.55	1.11	
	EPS (NTD)		4.57	4.98	5.86	4.15	3.06	
Cash flow (%)	Cash flow ratio		18.24	10.93	(Note 7)	2.86	(Note 7)	
	Cash flow adequacy ratio		82.98	102.77	57.30	36.27	52.49	
	Cash reinvestment ratio		14.01	15.95	(Note 7)	(Note 7)	(Note 7)	
Leverage	Operating leverage		2.35	2.48	2.35	3.10	3.28	
	Financial leverage		1.09	1.04	1.04	1.11	1.21	

Notes :

1. Financial Ratio

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

2. Ability to Pay off Debt

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

3. Ability to Operate

- (1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day = 365 / account receivable turnover

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

4.Earning Ability

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

5.Cash Flow

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

6. Leverage

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

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

5.3 Audit Committee Report

The Board of Directors has prepared the Company's 2012 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 :



March 26, 2013

5.3.1 Audit Committee

The Audit Committee is composed of all of the five Independent Directors, with one financial expert. Before the Board meetings, the Audit Committee holds meetings regularly at least once each quarter to examine the Company's internal control systems, internal audit executions, as well as material financial activities; also to communicate with CPAs for an effective supervision on the company's operations and risk controls. A total of eight (A) Audit Committee meetings were held in 2012. The Independent Director participation status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate in Person (%) (B/A)	Remarks
Chair	Michael Tsai	6	2	75	
Member	James K.F. Wu	8	0	100	Financial Expert
Member	Victor C.J. Cheng	8	0	100	
Member	John Hsuan	7	1	88	
Member	D.K. Tsai	5	0	100	New office Assumed (Elected on June 21)

Note: The Second Audit Committee was established on June 21, 2012.

Annotations:

(1) Any action regulated by Securities and Exchange Act §14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead in 2012: NIL

(2) Any recusal of Independent Directors due to conflict of interests in 2012: NIL

(3) Communications of Independent Directors with internal auditors, and CPAs in 2012:

A. The internal auditors present the audit reports to the members of the Audit Committee periodically, and report the findings in the meetings of the Audit Committee; immediate discussions and communications were held if any questions/concerns is raised by the independent directors. The communication between the independent directors and the internal auditors works well.

B. In the Audit Committee meetings the CPAs present the findings of their quarterly review/audits on the Company's financial reports, and communicate with independent directors for the applicable laws and regulations. The communication between the independent directors and the CPAs also works well.

(4)The key topics covered in the Audit Committee discussions:

- A. The latest changes of regulations and its applications.
- B. Audit on financial reports (quarterly, annual).
- C. Financial reports.
- D. Audit reports of previous quarter and audit highlights of next quarter.
- E. Material Investment or Assets Acquisition and Disposal.
- F. Other relative issues.

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

5.3.2 Board meeting attendance:

The Board held eight meetings in 2012.

Title	Name	Attendance	Proxy	Attendance%	Note
Chairman and CEO	Simon Lin	8	0	100	
Director	Stan Shih	8	0	100	
Director	Haydn Hsieh	8	0	100	
Director	Robert Huang	7	1	88	
Director	Philip Peng (The representative of Acer Inc.)	3	0	100	1
Independent Director	John Hsuan	8	0	100	
Independent Director	Michael Tsai	6	2	75	
Independent Director	James K.F. Wu	8	0	100	
Independent Director	Victor C.J. Cheng	8	0	100	
Independent Director	Duh-Kung Tsai	5	0	100	2

Note1: Mr. Philip Peng (The representative of Acer Inc.) resigned the director on June 21,2012

Note2: Mr. Duh-Kung Tsai was elected as an independent director on June 21,2012

5.3.3 Compensation Committee composition, responsibilities and operation:

On July 2, 2012, Wistron's Board of Directors made a resolution to set up the second session of Compensation Committee. The Committee is composed of three members: Independent Director, Mr. John Hsuan; Independent Director, Mr. Duh-Kung Tsai; and Mr. Philip Peng. Among the Committee members, Mr. John Hsuan was unanimously elected by the entire Committee members to serve as the convener and meeting chair.

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

The Committee conducted seven meetings from 2011 to 2012 and the Committee members' attendance status is as below:

Title	Name	Attendance in Person	Proxy Attendance	Rate of Attendance in Person (%)	Note
Chair	John Hsuan	6	1	100	
Member	Michael Tsai	3	0	100	1
Member	Philip Peng	7	0	100	
Member	Duh-Kung Tsai	4	0	100	2

Note1: Mr. Michael Tsai resigned the member on June 21, 2012.

Note2: Mr. Duh-Kung Tsai was elected as the member on July 2, 2012.

6. Financial Analysis

6.1 2012 vs. 2011 financial analysis

Unit : NT\$ K

Item	Year	2012.12.31	2011.12.31	Difference	
				Amount	%
Current assets		129,694,808	141,272,625	-11,577,817	-8.2
Long-term investments		59,131,141	49,761,944	9,369,197	18.83
Net property, plant and equipment		8,207,446	8,174,216	33,230	0.41
Intangible assets		1,536,237	1,649,625	-113,388	-6.87
Other assets		454,547	450,877	3,670	0.81
Total assets		199,024,179	201,309,287	-2,285,108	-1.14
Current liabilities		122,466,891	136,665,831	-14,198,940	-10.39
Long-term borrowings		11,024,524	0	11,024,524	-
Other liabilities		3,540,224	3,093,685	446,539	14.43
Total liabilities		137,031,639	139,759,516	-2,727,877	-1.95
Common stock		21,979,432	20,849,972	1,129,460	5.42
Capital surplus		19,536,225	19,232,167	304,058	1.58
Un-appropriated earnings		25,097,183	24,042,857	1,054,326	4.39
Other Adjustment		-3,842,765	-1,791,906	-2,050,859	114.45
Treasury Stock		-777,535	-783,319	5,784	-0.74
Total stockholders' equity		61,992,540	61,549,771	442,769	0.72

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

(1) Other Adjustment decrease is due to accumulated translation adjustment.

6.2. 2012 vs. 2011 operating result analysis

Unit : NT\$ K

Item	Year	2012		2011		Increasing (decreasing) amount	Change percentage (%)
		Sub-total	Total	Sub-total	Total		
Revenues		601,339,897		591,140,834		10,199,063	1.73
Less: sales returns and allowances		<u>-2,581,304</u>		<u>-4,663,651</u>		2,082,347	-44.65
Net revenues			598,758,593		586,477,183	12,281,410	2.09
Cost of revenues			-574,159,694		-562,007,162	-12,152,532	2.16
Add: Change in unrealized inter-company profits			<u>-20,652</u>		<u>194,047</u>	<u>-214,699</u>	-110.64
Realized gross profit			24,578,247		24,664,068	-85,821	-0.35
Operating expenses			<u>-18,903,910</u>		<u>-18,722,914</u>	<u>-180,996</u>	0.97
Operating income			5,674,337		5,941,154	-266,817	-4.49
Non-operating income and gains			3,489,762		5,008,875	-1,519,113	-30.33
Non-operating expenses and losses			<u>-1,036,290</u>		<u>-762,099</u>	<u>-274,191</u>	35.98
Income (loss) before income taxes			8,127,809		10,187,930	-2,060,121	-20.22
Income tax benefit(expense)			<u>-1,461,378</u>		<u>-1,122,902</u>	<u>-338,476</u>	30.14
Net income(loss)			<u>6,666,431</u>		<u>9,065,028</u>	<u>-2,398,597</u>	-26.46

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

- (1) Sales returns and allowances decrease was primarily due to lower product related issues.
- (2) Change in unrealized inter-company profits was primarily due to lower inventory of affiliated company.
- (3) Non-operating income and gains decrease was primarily due to lower evaluation gain on financial instruments.
- (4) Non-operating expenses and losses increase was primarily due to increase of evaluation loss on financial instruments.

(5) Income tax increase was primarily due to 10% of income tax imposed on unappropriated earnings.

6.2.2 Year 2013 sales quantity projection and its reasons:

Unit: pcs

Product	Quantity
Notebook PC	37,500,000
Desktop PC	15,000,000
Display Products	17,000,000
Others	22,700,000
Total	92,200,000

The information and communication industry expects to have sustained growth in 2013. The above annual sales projection is based on industry related information and the Company's business plan and sales trend.

6.2.3 Sales projection impact on financing and planned action:

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

6.3 Cash flow analysis:

- (1) Operating activities: Cash flow-out of NT\$170M was mainly caused by account payable decrease.
- (2) Investing activities: Cash flow-out of NT\$13,463M was mainly caused by fixed asset acquisition and long-term investment increase.
- (3) Financing activities: Cash flow-in of NT\$18,066M was mainly caused by short-term borrowings and bonds payable increase.

6.3.1 Cash flow forecast in 2013

Unit : NT\$K

Cash beginning balance	Cash flow from operating activities	Cash flow-in (out)	Cash ending balance (shortage)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
17,358,699	13,731,391	(5,340,848)	12,017,851	-	-

(1) Operating activities: Cash flow-in is mainly caused by net income.

(2) Investing activities: Cash flow-out is mainly caused by more investment in Wistron invested companies to enlarge business scale.

6.4 Significant capitalized expenditure analysis

Unit : NT\$ K

Plan	Actual or expected capital resource	Actual or expected finished date	Planned amount	Actual or expected yearly capital expense				
				2009	2010	2011	2012	2013
WMX-Building	Cash Flow generated from operations	2010.4	992,930 (US\$31M)	368,345 (US\$11.5M)	624,585 (US\$19.5M)	-	-	-
WTZ-substantial working capital	Cash Flow generated from operations	2012.7	3,136,123 (US\$100M)	678,720 (US\$21M)	1,587,625 (US\$50M)	810,108 (US\$27M)	59,670 (US\$2M)	-
WZS - Machine & substantial working capital	Cash Flow generated from operations	2011.8	3,689,331 (US\$120M)	-	2,426,465 (US\$77M)	1,262,866 (US\$43M)	-	-
WOK - Machine & substantial working capital	Cash Flow generated from operations	2010.4	381,000 (US\$12M)	-	381,000 (US\$12M)	-	-	-
WPV - substantial working capital	Cash Flow generated from operations	2010.11	537,380 (EUR12M)	-	537,380 (EUR12M)	-	-	-
Global Lighting-extend the new business	Cash Flow generated from operations	2010.8	640,000 (US\$20M)	-	640,000 (US\$20M)	-	-	-

Plan	Actual or expected capital resource	Actual or expected finished date	Planned amount	Actual or expected yearly capital expense				
				2009	2010	2011	2012	2013
WGKS – Building & substantial working capital	Cash Flow generated from operations	2011.11	595,648\ (US\$20M)	-	-	595,648 (US\$20M)	-	-
WMX - substantial working capital	Cash Flow generated from operations	2010.11	1,082,038\ (US\$34.3M)	-	1,082,038 (US\$34.3M)	-	-	-
WCZ – Machine & substantial working capital	Cash Flow generated from operations	2010.11	1,310,411 (US\$42.75M)	-	1,310,411 (US\$42.75M)	-	-	-
WMX – Building & substantial working capital	Cash Flow generated from operations	2013.12	1,017,980 (US\$34.4M)	-	303,060 (US\$10M)	-	-	714,920 (US\$24.4M)
WITX- substantial working capital	Cash Flow generated from operations	2010.11	584,060 (US\$19M)	-	584,060 (US\$19M)	-	-	-
WGTX- extend the new business	Cash Flow generated from operations	2012.10	549,129 (US\$18.4M)	-	-	333,231 (US\$11.04M)	215,898 (US\$7.36M)	-
WCD- for market & customer demand	Cash Flow generated from operations	2012.2	2,396,524 (US\$80M)	-	-	87,533 (US\$2.9M)	2,308,991 (US\$77.1M)	-
WCQ- for market & customer demand	Cash Flow generated from operations	2013.12	589,643 (US\$20M)	-	-	583,823 (US\$19.8M)	-	5,820 (US\$0.2M)
WMY-For customer demand	Cash Flow generated from operations	2013.12	1,080,488 (US\$37M)	-	-	477,537 (US\$16.5M)	297,823 (US\$10M)	305,128 (US\$10.5M)
WMKS - substantial working capital	Cash Flow generated from operations	2012.8	596,700 (US\$20M)	-	-	-	596,700 (US\$20M)	-
WGKS – substantial working capital	Cash Flow generated from operations	2012.7	358,291 (US\$12M)	-	-	-	358,291 (US\$12M)	-
WTZ - substantial working capital	Cash Flow generated from operations	2012.9	1,793,366 (US\$60M)	-	-	-	1,793,366 (US\$60M)	-
WBV - substantial working capital	Cash Flow generated from operations	2013.12	582,200 (US\$20M)	-	-	-	-	582,200 (US\$20M)

Plan	Actual or expected capital resource	Actual or expected finished date	Planned amount	Actual or expected yearly capital expense				
				2009	2010	2011	2012	2013
WSCZ - substantial working capital	Cash Flow generated from operations	2012.9	371,995 (EUR\$9.7M)	-	-	-	371,995 (EUR\$9.7M)	-
WPV - substantial working capital	Cash Flow generated from operations	2013.12	717,301 (EUR\$19M)	-	-	-	487,911 (EUR\$12.9M)	229,390 (EUR\$6.1M)
WIN - substantial working capital	Cash Flow generated from operations	2012.12	640,200 (US\$22M)	-	-	-	640,200 (US\$22M)	-
WMX - substantial working capital	Cash Flow generated from operations	2013.12	727,500 (US\$25M)	-	-	-	-	727,500 (US\$25M)
WOK - substantial working capital	Cash Flow generated from operations	2013.12	1,164,000 (US\$40M)	-	-	-	-	1,164,000 (US\$40M)

Estimated beneficial result:

Investment in overseas enterprises is to coordinate the corporate business growth demand and enlarge the manufacturing capacity to reach economic scale and lower production cost, as well as increase the product competitiveness.

6.5. Long-term investment objective, main reason for gain or loss, improvement plan and coming year investment plan:

Unit : Thousand NT\$

Item	Description	Amount	Investment objective	Main reason of profit or loss	Improvement plans	Investment plans for the coming year
Wistron InfoComm (CHONGQING) Co.Ltd.		2,308,991	For market & customer demand	Business has reached economic scale and start to make the profit	-	-
Wistron Technology(Malaysia) Sdn. Bhd.		297,823	For production layout	No business income during setup period	-	Plan to invest in US\$10.5M to buy machine
SMS (Kunshan) Co., Ltd		596,700	Increase working capital	For Business increase	-	-
Wistron Advanced Materials(Kunshan) Co. Ltd		358,291	Increase working capital	No business income during setup period	-	-

Item	Description	Amount	Investment objective	Main reason of profit or loss	Improvement plans	Investment plans for the coming year
	Wistron InfoComm (Taizhou) Co., Ltd.	1,793,366	Increase working capital, and sound of the vertical production chain	Business has not reached economic scale	-	-
	SMS InfoComm (Czech) s.r.o. Corp.	371,995	Increase working capital	Business is unstable during the initial period	-	-
	ICT Service Management Solutions (India) Private Limited	640,200	Increase working capital	Business has not reached economic scale	-	-

6.6. Risk Management

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

Items	2011 (in thousand NT dollars)	2012 (in thousand NT dollars)
Interest Income	24,516	22,620
Interest Expense	596,441	996,563
Exchange loss/gain	(121,156)	(443)

By the end of 2012, the cash and short-term investment balance of the Company totaled about NT\$17.4billion with short term borrowings about NT\$50.2billion. We reinvested the surplus funds after considerable evaluation of risks involved, while watching closely the change of bank lending rates on a regular basis.

Around 99% of the Company's revenue from sales was quoted in U.S. dollars, and most of the Company's material purchases use U.S. dollars as well. Therefore, the majority of Company's foreign currency operating exposure can be mutually offset. In addition, the Company has used regular hedge activities to manage its foreign exchange risk, under proper risk management guidelines. Due to the fluctuation of the foreign exchange rate and the swaps, the Company experienced a foreign exchange loss of NT\$443 thousands last year.

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

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

- (1) Further mutually offset foreign assets and liabilities to avert risk.
- (2) Make plans and arrangements in advance for funds yields and borrowing costs, in light of the Company's business anticipation and funds requirements.

- (3) Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

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

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

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

6.6.3 Future R&D Development Plan and Investment:

All R&D plans for 2012 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 2013 to meet business growth needs. The investment ratio will be almost the same as in 2012.

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

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

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

There was no substantial change in technology in recent years. To react to the gross margin drop resulting from fiercer market competition, we will advance product functionality, lower production costs and exert strict control over operation costs.

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

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

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

No acquisitions occurred in 2012.

6.6.8 Expected Benefits and Risks Related to Plant Facility Expansions:

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

6.6.9. Supply and Distribution Concentration:

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

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

Not applicable.

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

The Company has a very healthy shareholder's structure: 54.52% stock shares are held by foreign investors, 18.35% by domestic institutional investors. They possess around 72.87% in the aggregate. In addition, the Company has sustained a growth momentum, allowing for lowered risk of key management changes. We will do our best effort to improve corporate management to reward our shareholders with better performance. This is the key to our Company's sustained development.

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

- (1) MOSAID filed a patent litigation against more than 30 companies, including Wistron Corp, in March 2011 in the federal district court in Eastern District of Texas. The accused products are WiFi-related products. All the defendants are preparing non-infringement and patent invalidity evidences.
- (2) O2 Micro (Wuhan) filed a patent litigation against Wistron InfoComm Manufacturing (Kunshan) regarding LED array controller related products in Dec. 2011 in China NanJin Intermediate People's Court. All the defendants are preparing non-infringement and patent invalidity evidences.

- (3) Xu Shichang filed a patent litigation against Wistron InfoComm Manufacturing (Kunshan) regarding a logo manufacturing method of computers in Nov. 2011 in China Shenzhen Intermediate People's Court.

Shenzhen Intermediate People's Court had made the first instance judgment. The Court rejected the plaintiff's claims and the defendants' conducts were not deemed as infringements. The plaintiff made an appeal to Guangdong High Court. In Feb. 2013, Guangdong High Court made the final judgment and upheld in favor of Wistron InfoComm Manufacturing (Kunshan).

6.6.13. Other Risks: None

7. Enforcement of Corporate Governance

Items	Enforcement	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
<p>A. The ownership structure and shareholders' equity</p> <p>a. The handling of the shareholders' proposals and disputes</p> <p>b. Search for information on the identities of major shareholders and their ultimate controlling persons</p> <p>c. The establishment of risk control mechanism and firewalls with affiliates</p>	<p>a. Our Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.</p> <p>b. Our Company can discover information on the identities of major shareholders and their ultimate controlling persons.</p> <p>c. Our Company has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, loaning of funds and the rules governing acquisitions and dispositions of assets etc.</p>	<p>No discrepancy</p> <p>No discrepancy</p> <p>No discrepancy</p>
<p>B. The composition and duties of Board of Directors</p> <p>a. The election of independent directors</p> <p>b. The regular evaluation of independence of CPA</p>	<p>a. Our Company has elected five seats for independent directors in the Board. The entire independent directors will constitute the Audit Committee.</p> <p>b. The evaluation of CPA is one of the main duties of the Audit Committee.</p>	<p>No discrepancy</p> <p>No discrepancy</p>
<p>C. The establishment of communication channels with stakeholders</p>	<p>Our Company has established the appropriate communication channels with suppliers, customers, banks, investors and other stakeholders.</p>	<p>No discrepancy</p>
<p>D. The disclosure of information</p> <p>a. The utilization of website to disclose the information of finance, operations and corporate governance</p>	<p>a. Our Company has set up a website containing the information regarding finance and operations.</p>	<p>Our Company discloses the enforcement of corporate governance in the shareholders' meeting.</p>

Items	Enforcement	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
b. The others means of disclosing information	b. Our Company has one chief spokesman and one acting spokesman and also designated a team to be responsible for gathering and disclosing the information.	No discrepancy
E. The establishment and enforcement of Audit Committee and other functional Committees	Our Company has set up the Audit Committee and the Compensation Committee in the Board.	No discrepancy
F. If your Company has implemented the corporate governance principles according to the Principles, please identify the discrepancy between it and the Principles: <ul style="list-style-type: none"> • Overall, the Company follows government principles. 		
G. Other important discourses that help you to understand the enforcement of corporate governance of the Company: <ul style="list-style-type: none"> • Our Company requests a director shall voluntarily abstain from voting in the Board Meetings if a proposal is related to the director's own interests. Details are set forth in internal rules governing the conduct of Board Meeting. • Our Company has purchased liability insurance for directors and other key employees. 		

8.Enforcement of Ethical Corporate Management

Enforcement of Ethical Corporate Management

Item	Implementation Status	Specify the difference
<p>1. Promulgation of ethical corporate management policy and programs</p> <p>(1) Company shall clearly specify ethical corporate management policies in their rules and external documents, and the board of directors and the management level shall undertake to rigorously and thoroughly enforce such policies.</p> <p>(2) Company shall establish a prevention program to forestall unethical conduct, including operational procedures, guidelines, and training.</p> <p>(3) Company shall establish preventive measures against offering and acceptance of bribes, illegal political donations, etc, to business activities within their business scope which may be at a higher risk of being involved in unethical conducts when establishing prevention program.</p>	<p>(1) We established “Ethical Policy” and “Code of Ethical Conduct” and the contents are disclosed annually in our CSSR Report. Integrity is not only the core value of our business but also a fundamental part of our daily operation, this standard also applies to our board members, supervisors, employees and other related person. So far no incidents of unethical conduct have been reported</p> <p>(2) In our “Code of Ethical Conduct”, we clearly define the basic rules that employees must follow and avoid. In 2012, employees are required to take ethic e-trainings courses and exams to ensure they have knowledge of the Company's ethical standards.</p> <p>(3) We determined the units which handles financial/ treasury and procurement as the ones with potential risks. The involved units are required to undergo specific trainings, internal audit or regular work rotation to reduce potential risk.</p>	None

Item	Implementation Status	Specify the difference
<p>2. Implementation of ethical corporate management</p> <p>(1) Company shall avoid any dealings with persons who have any records of unethical conduct, and the provisions of ethical conduct shall be included in the contract.</p> <p>(2) Company shall form a dedicated unit to be in charge of establishing and enforcing the ethical corporate management policies. The board of directors shall review the results of implementation.</p> <p>(3) Company shall promulgate policies for preventing conflicts of interest and offer appropriate means for related person to voluntarily explain the situation of conflicts of interest.</p> <p>(4) Company shall establish effective accounting systems and internal control systems to enforce ethical corporate management, and the status of implementation shall be examined by internal auditors periodically.</p>	<p>(1) Prior to any commercial transactions with contractors, suppliers, customers or any entities, we consider their ethical performance by reviewing their condition of legitimacy, ethical policy and records of unethical behaviors. We also convey our policy and ethical standards to our business partners and refuse to offer, commit, request or accept any improper advantage in any form, either directly or indirectly. Once we are aware of any unethical events, we will terminate the contract immediately and move the entity to the dishonor list. Besides that, we stipulate the terms and conditions of ethical management in contracts such as specific and reasonable payment terms, handling of unethical conduct including but not limited to the pertaining to prohibition of commissions, rebates, or other benefits.</p> <p>(2) HR department is responsible for the establishment of the Company's integrity policy and the supervision of enforcement, and report the implementation on board meeting periodically, so far no incidents of unethical conduct have been reported.</p> <p>(3) It is stated in our "Ethic Policy" that we pay high attentions to conflicts of interest. In our "Code of Ethical Conduct", we clearly define the principles and circumstances of conflicts of interest that related person shall avoid, and we also require them to report initiatively to their immediate supervisors, highest level of management of HR or report on board meeting if they face or are aware of similar situations that may arise conflicts of interest. So far no incidents of unethical conduct have been reported.</p> <p>(4) We conduct evaluation and self-audit of the effectiveness of internal control system, including accounting system, and the result will be reviewed by Audit Office based on good faith.</p>	None

Item	Implementation Status	Specify the difference
3. Company shall set up a formal channel for receiving reports on unethical conduct, and the disciplinary and complaint system to handle violation of the ethical corporate management rules	All employees have the duty to report directly to highest level of management of HR, Audit Office or Chairman the improper conduct that is against the ethical conduct of the Company, and we also pledge to protect the employees involved in reporting or investigation of the events from injustice or revenge. If employees violate the Code of Ethical Conduct, we will consider the severity of the violation, and conduct proper action, including dismissal, based on "Guidelines on Employee Award/Disciplinary". So far no incidents of unethical conduct have been reported.	None
4. Enhancement of information disclosure (1) Company shall disclose the status of the enforcement of ethical corporate management on Company websites. (2) Other measures to disclose related information (ex. set up English website, form a dedicated person to be in charge of collecting information and disclosing on company websites, etc.)	(1) In Wistron official website, we disclose the actions and commitments to our ethic policy and EICC (Electronic Industry Citizenship Coalition) code of conduct. We also disclose the ethical conduct implementation in our CSSR Report every year. (2) We have specific person/unit responsible for the maintenance of website content, and also set up English website to disclose related information.	None
5. If Company's ethical corporate management policy is established based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please specify the difference if any: None		
6. Others about the implementation of ethical corporate management (ex. declare company's determination and policy of ethical corporate management to our trading counterparties, invite trading counterparties to training courses or meetings to make suggestions to review or improve Company's ethical policy, etc.): We deliver our ethical policy and ethical standards to all suppliers in the presentation material and on the suppliers annual meeting, and we examine suppliers' integrity and ethical performance every year.		

**9. Financial Statements
Consolidated With Subsidiaries
Audited by CPA of 2012**

Independent Auditors' Report

The Board of Directors
Wistron Corporation:

We have audited the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of December 31, 2011 and 2012, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Wistron Corporation and its subsidiaries as of December 31, 2011 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

The accompanying consolidated financial statements as of and for the year ended December 31, 2012, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated in to United States dollars on the basis set forth in note 2(y) of the notes to the accompanying consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 26, 2013

Note to Readers

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

WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2012

(amounts expressed in thousands of dollars)

	2011		2012		2011		2012	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Assets								
Current assets:								
Cash and cash equivalents (notes 4(a) and 4(p))	45,500,293	2,491,056	72,579,398	2,491,056	55,987,148	2,619,678	76,326,950	2,619,678
Financial assets at fair value through profit or loss - current (notes 4(b) and 4(p))	8,036	236	6,867	236	22,253	23,479	684,086	23,479
Available-for-sale financial assets - current (notes 4(b) and 4(p))	370	103	3,005	103	2,206	897	26,129	897
Notes and accounts receivable (notes 4(c), 4(p) and 7)	102,757,371	3,205,451	93,394,028	3,205,451	98,141,155	3,496,714	101,880,258	3,496,714
Notes and accounts receivable - related parties (notes 4(p) and 5)	13,251,582	10,922	318,221	10,922	19,812,268	93,399	2,721,273	93,399
Other receivable - related parties (notes 4(e), 4(p) and 5)	30,353	105	3,065	105	82,508	1,628	47,432	1,628
Other financial assets - current (notes 4(c) and 4(p))	2,872,748	147,397	4,294,547	147,397	2,186,668	51,158	1,490,545	51,158
Inventories (note 4(d))	39,398,331	1,586,842	46,234,220	1,586,842	12,953,866	400,617	11,672,364	400,617
Deferred income tax assets - current (note 4(m))	916,888	16,741	487,767	16,741	189,188,072	6,687,570	194,849,037	6,687,570
Prepaid expenses and other current assets	2,864,213	107,159	3,122,199	107,159	-	-	8,017,100	275,161
Total current assets	<u>207,660,185</u>	<u>7,566,012</u>	<u>220,443,317</u>	<u>7,566,012</u>	<u>493,075</u>	<u>399,707</u>	<u>11,645,855</u>	<u>399,707</u>
Long-term investments:								
Long-term equity investments under equity method (notes 4(e), 4(p) and 5)	5,383,519	181,142	5,277,737	181,142	2,995,264	116,824	3,403,775	116,824
Financial assets at fair value through profit or loss - noncurrent (notes 4(b), 4(i) and 4(p))	-	-	800	27	272,215	19,746	575,321	19,746
Other financial assets - noncurrent (note 4(b))	-	-	-	-	3,267,479	136,570	3,979,096	136,570
Available-for-sale financial assets - noncurrent (notes 4(b) and 4(p))	1,747,815	56,041	1,632,817	56,041	192,948,626	7,223,847	210,473,988	7,223,847
Financial assets carried at cost - noncurrent (notes 4(b) and 4(p))	1,417,157	50,644	1,475,566	50,644	-	-	-	-
Total long-term investments	<u>8,548,491</u>	<u>287,854</u>	<u>8,386,920</u>	<u>287,854</u>	<u>3,267,479</u>	<u>136,570</u>	<u>4,079,196</u>	<u>136,570</u>
Property, plant and equipment (notes 4(f), 5 and 6):								
Land	3,414,986	116,383	3,390,932	116,383	20,849,972	754,374	21,979,432	754,374
Buildings and improvements	11,117,955	591,679	17,239,174	591,679	19,079,276	663,466	19,330,750	663,466
Machinery and equipment	13,990,986	491,234	14,312,611	491,234	2,206	2,981	2,981	2,981
Molding equipment	9,251,744	382,696	11,150,222	382,696	84,764	3,010	87,703	3,010
Research and development equipment	1,384,303	50,618	1,474,816	50,618	65,921	2,246	66,434	2,246
Furniture and fixtures	1,532,797	8,190	1,939,911	8,190	-	-	49,357	-
Leasehold improvement	-	-	238,617	-	-	-	-	-
Other equipment	2,659,897	113,883	3,318,088	113,883	19,232,167	670,518	19,536,225	670,518
Less: accumulated depreciation	43,352,668	1,821,264	53,064,371	1,821,264	4,655,472	190,897	5,561,975	190,897
Construction in progress and advance payments for purchases of property and equipment	(20,097,356)	(831,903)	(24,238,336)	(831,903)	3,287,455	61,501	1,791,906	61,501
Intangible assets (note 4(g))	<u>8,275,729</u>	<u>286,674</u>	<u>8,352,541</u>	<u>286,674</u>	<u>16,099,930</u>	<u>608,982</u>	<u>17,743,302</u>	<u>608,982</u>
Other assets:								
Deferred expenses and other assets (notes 4(b), 4(i) and 6)	31,531,041	34,847	37,178,576	34,847	24,042,857	861,380	25,097,183	861,380
Deferred income tax assets - noncurrent (note 4(m))	3,479,434	108,865	3,291,367	108,865	(1,441,163)	(112,538)	(3,278,911)	(112,538)
Total other assets	<u>6,900,576</u>	<u>34,847</u>	<u>7,015,291</u>	<u>34,847</u>	<u>(172,407)</u>	<u>(9,242)</u>	<u>(269,282)</u>	<u>(9,242)</u>
Total assets	<u>3,279,246</u>	<u>108,865</u>	<u>3,171,879</u>	<u>108,865</u>	<u>(172,407)</u>	<u>(9,242)</u>	<u>(269,282)</u>	<u>(9,242)</u>
					<u>(783,319)</u>	<u>(26,686)</u>	<u>(4,670,300)</u>	<u>(158,576)</u>
					<u>61,549,771</u>	<u>2,127,696</u>	<u>61,992,540</u>	<u>2,127,696</u>
					<u>5,531</u>	<u>189</u>	<u>5,531</u>	<u>189</u>
					<u>61,549,771</u>	<u>2,127,885</u>	<u>61,998,071</u>	<u>2,127,885</u>
Total Assets	<u>254,498,397</u>	<u>9,351,732</u>	<u>272,472,059</u>	<u>9,351,732</u>	<u>254,498,397</u>	<u>9,351,732</u>	<u>272,472,059</u>	<u>9,351,732</u>
Liabilities and Stockholders' Equity								
Current liabilities:								
Short-term borrowings (notes 4(i), 4(p) and 6)								
Current portion of long-term borrowings (notes 4(k), 4(p), 6 and 7)								
Financial liabilities at fair value through profit or loss - current (notes 4(b) and 4(p))								
Notes and accounts payable (note 4(p))								
Notes and accounts payable - related parties (notes 4(p) and 5)								
Other payable - related parties (notes 4(p) and 5)								
Accrued warranty costs								
Accrued expenses and other current liabilities (notes 4(i), 4(c), 4(p) and 5)								
Total current liabilities								
Long-term liabilities:								
Bonds payable (notes 4(i) and 4(p))								
Long-term borrowings (notes 4(k), 4(p), 6 and 7)								
Total long-term liabilities								
Other liabilities:								
Deferred income tax liabilities - noncurrent (note 4(m))								
Other liabilities (notes 4(e) and 4(i))								
Total other liabilities								
Total liabilities								
Stockholders' equity and Minority interest (notes 4(b), 4(c), 4(i), 4(m), 4(n) and 4(o)):								
Capital:								
Common stock								
Additional paid-in capital:								
Capital surplus - paid-in capital in excess of par value								
Capital surplus - reserve treasury stock								
Capital surplus - resulting from long-term equity investments								
Capital surplus - employee stock option								
Capital surplus - bonds conversion option								
Total additional paid-in capital								
Retained earnings:								
Legal reserve								
Special reserve								
Unappropriated earnings								
Total retained earnings								
Other stockholder's equity:								
Cumulative translation adjustments								
Unrecognized pension cost								
Unrealized loss on available-for-sale financial assets								
Treasury stock								
Total other stockholder's equity								
Total stockholder's equity								
Minority interest								
Total stockholders' equity and minority interest								
Commitments and contingencies (notes 4(b), 4(c), 4(i), 4(m), 4(n) and 7)								
Total liabilities and stockholders' equity								

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012
(amounts expressed in thousands of dollars, except for earnings per common share)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Net revenues (note 5)	658,366,685	657,844,614	22,578,412
Cost of sales (notes 4(d), 4(l), 4(n), 5 and 10)	<u>(626,040,284)</u>	<u>(625,917,369)</u>	<u>(21,482,611)</u>
Gross profit	<u>32,326,401</u>	<u>31,927,245</u>	<u>1,095,801</u>
Operating expenses (notes 4(c), 4(g), 4(l), 4(n), 5 and 10)			
Selling	(8,524,098)	(9,952,607)	(341,591)
Administrative	(1,882,662)	(1,797,719)	(61,701)
Research and development	<u>(11,338,014)</u>	<u>(11,956,386)</u>	<u>(410,365)</u>
Total operating expenses	<u>(21,744,774)</u>	<u>(23,706,712)</u>	<u>(813,657)</u>
Operating income	<u>10,581,627</u>	<u>8,220,533</u>	<u>282,144</u>
Non-operating income and gains:			
Interest income	1,104,667	1,537,884	52,784
Investment income recognized under equity method, net (note 4(e))	364,960	268,729	9,223
Gain on disposal of property, plant and equipment (notes 4(e) and 5)	10,070	69,329	2,379
Gain on disposal of investments (notes 4(b) and 4(e))	77,909	14,680	504
Foreign currency exchange gain, net (notes 4(j))	290,306	448,467	15,392
Rental income (note 5)	36,732	39,049	1,340
Evaluation gain on financial instruments (notes 4(b) and 4(p))	88,905	-	-
Other income	<u>289,155</u>	<u>415,086</u>	<u>14,246</u>
	<u>2,262,704</u>	<u>2,793,224</u>	<u>95,868</u>
Non-operating expenses and losses:			
Interest expense (notes 4(f) and 4(j))	(991,505)	(1,464,482)	(50,264)
Other investment loss	(8,533)	-	-
Loss on disposal of property, plant and equipment	(57,722)	(145,442)	(4,991)
Evaluation loss on financial instruments (notes 4(b), 4(j) and 4(p))	-	(27,469)	(943)
Other loss (note 10)	<u>(159,033)</u>	<u>(196,543)</u>	<u>(6,745)</u>
	<u>(1,216,793)</u>	<u>(1,833,916)</u>	<u>(62,943)</u>
Income before income taxes	11,627,538	9,179,841	315,069
Income tax expense (note 4(m))	<u>(2,562,510)</u>	<u>(2,518,914)</u>	<u>(86,454)</u>
Consolidated net income	<u>9,065,028</u>	<u>6,660,927</u>	<u>228,615</u>
Income attributable to:			
Shareholders of parent company	9,065,028	6,666,431	228,804
Minority shareholders	-	(5,504)	(189)
	<u>9,065,028</u>	<u>6,660,927</u>	<u>228,615</u>
	<u>2011</u>	<u>2012</u>	
	<u>After</u>	<u>After</u>	<u>After</u>
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
	NT\$	NT\$	US\$
Earnings per common share (in dollars) (note 4(o)):			
Basic earnings per share—retroactively adjusted	<u>4.15</u>	<u>3.06</u>	<u>0.11</u>
Diluted earnings per share—retroactively adjusted	<u>4.06</u>	<u>2.83</u>	<u>0.10</u>

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND MINORITY INTEREST
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012
(amounts expressed in thousands of dollars, except for earnings per common share)

	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation adjustment	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Minority interest	Total
Balance at December 31, 2010	\$ 19,808,953	18,965,184	3,452,438	-	18,809,500	(2,994,787)	(201,759)	(90,909)	(878,940)	-	56,869,680
Compensation cost arising from granting of employee stock options (note 4(n))	-	73,967	-	-	-	-	-	-	-	-	73,967
Treasury stock transferred to employees (note 4(n))	-	(5,840)	-	-	-	-	-	-	95,621	-	89,781
Issuance of common stock arising from exercise of employee stock options (note 4(n))	56,680	183,641	-	-	-	-	-	-	-	-	240,321
Consolidated net income for 2011	-	-	-	-	9,065,028	-	-	-	-	-	9,065,028
Appropriation of 2010 earnings in 2011 (note 4(n)) (note 1):	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,203,034	-	(1,203,034)	-	-	-	-	-	-
Special reserve	-	-	-	3,287,455	(3,287,455)	-	-	-	-	-	-
Cash dividends	-	-	-	(6,299,770)	(6,299,770)	-	-	-	-	-	(6,299,770)
Stock dividends to shareholders	984,339	-	-	(984,339)	-	-	-	-	-	-	-
Pension adjustment—unrecognized pension cost (note 4(l))	-	-	-	-	-	-	23,423	-	-	-	23,423
Foreign currency translation adjustment	-	-	-	-	-	1,553,624	-	-	-	-	1,553,624
Increase in capital surplus resulting from long-term equity investments (note 4(e))	-	15,215	-	-	-	-	-	-	-	-	15,215
Equity adjustment in available-for-sale financial assets of investee accounted for under long-term equity investments (note 4(e))	-	-	-	-	-	-	-	(4,119)	-	-	(4,119)
Equity adjustment for available-for-sale financial assets (note 4(b))	-	-	-	-	-	(1,441,163)	(178,336)	(77,379)	(783,319)	-	(1,499,897)
Balance at December 31, 2011	20,849,972	19,232,167	4,655,472	3,287,455	16,099,930	(1,441,163)	(178,336)	(172,407)	(783,319)	-	61,549,771
Recognition of equity components of convertible bonds issued (note 4(j))	-	50,328	-	-	-	-	-	-	-	-	50,328
Issuance of common stock arising from exercise of bonds conversion options (notes 4(j) and 4(n))	2,431	9,212	-	-	-	-	-	-	-	-	11,643
Treasury stock transferred to employees (note 4(n))	-	(611)	-	-	-	-	-	-	5,784	-	5,173
Issuance of common stock arising from exercise of employee stock options (note 4(n))	87,750	242,190	-	-	-	-	-	-	-	-	329,940
Consolidated net income for 2012	-	-	-	-	6,666,431	-	-	-	-	(5,504)	6,666,927
Appropriation of 2011 earnings in 2012 (note 4(n)) (note 2):	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	906,503	-	(906,503)	-	-	-	-	-	-
Special reserve	-	-	-	(1,495,549)	1,495,549	-	-	-	-	-	-
Cash dividends	-	-	-	(4,572,826)	(4,572,826)	-	-	-	-	-	(4,572,826)
Stock dividends to shareholders	1,039,279	-	-	(1,039,279)	-	-	-	-	-	-	-
Pension adjustment—unrecognized pension cost (note 4(l))	-	-	-	-	-	-	(116,236)	-	-	-	(116,236)
Foreign currency translation adjustment	-	-	-	-	-	(1,837,748)	-	-	-	-	(1,837,748)
Increase in capital surplus resulting from long-term equity investments (note 4(e))	-	2,939	-	-	-	-	-	-	-	-	2,939
Equity adjustment in available-for-sale financial assets of investee accounted for under long-term equity investments (note 4(e))	-	-	-	-	-	-	-	1,627	-	-	1,627
Equity adjustment for available-for-sale financial assets (note 4(b))	-	-	-	-	-	-	-	(98,502)	-	-	(98,502)
Change in minority interest	-	-	-	-	-	-	-	-	-	11,035	11,035
Balance at December 31, 2012	\$ 21,979,432	19,536,225	5,561,975	1,791,906	17,743,302	(3,278,911)	(294,572)	(269,282)	(777,535)	5,531	91,998,071

(note 1) The of employees' bonus of NTS1,475,232 and directors' emoluments of NTS75,399 appropriated from 2010 earnings have been deducted in the 2010 consolidated net income.

(note 2) The of employees' bonus of NTS1,087,480 and directors' emoluments of NTS81,585 appropriated from 2011 earnings have been deducted in the 2011 consolidated net income.

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012
(amounts expressed in thousands of dollars)

	2011	2012	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Consolidated net income	9,065,028	6,660,927	228,615
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation (including the depreciation of property for operating lease and of idle assets)	4,954,021	6,105,355	209,547
Amortization	1,220,249	738,284	25,339
Net investment income accounted for by equity method and cash dividends received	(111,039)	896	31
Other investment loss	8,533	-	-
Loss on disposal of property, plant and equipment, net	47,652	76,093	2,612
Gain on disposal of investments	(77,909)	(14,680)	(504)
Evaluation loss (gain) on financial instruments	(88,905)	27,469	943
Property, plant and equipment charged to profit or loss	7,312	3,280	113
Other expense	-	1,734	60
Amortization of bond discount	-	172,740	5,929
Unrealized exchange gain on convertible bonds	-	(225,903)	(7,754)
Gain on repurchase of convertible bonds	-	(1,650)	(57)
Deferred income tax expense	968,676	527,472	18,104
Compensation cost recognized from granting of employee stock options	73,967	-	-
Change in operating assets and liabilities:			
Notes and accounts receivable	(15,577,745)	8,219,731	282,116
Notes and accounts receivable—related parties	6,780,249	7,368,477	252,899
Other receivable—related parties	(61,080)	888,628	30,499
Other financial assets—current	(1,286,676)	(1,140,301)	(39,137)
Inventories	(4,468,718)	(8,283,702)	(284,312)
Prepaid expenses and other current assets	(856,350)	(633,452)	(21,741)
Notes and accounts payable	12,500,014	6,094,538	209,176
Notes and accounts payable—related parties	(12,026,688)	(8,758,474)	(300,607)
Other payable—related parties	12,593,062	(3,225,638)	(110,710)
Accrued warranty costs	323,900	(691,625)	(23,738)
Accrued expenses and other current liabilities	(3,141,374)	(1,195,989)	(41,048)
Other liabilities	227,211	27,109	930
Net cash provided by operating activities	<u>11,073,390</u>	<u>12,741,319</u>	<u>437,305</u>
Cash flows from investing activities:			
Decrease in non-trade receivables from related parties	1,920	27,297	937
Decrease (increase) in available-for-sale financial assets—current	3,250	(2,598)	(89)
Decrease in available-for-sale financial assets—noncurrent	45,578	17,239	592
Proceeds from disposal of financial assets—noncurrent	-	7,485	257
Increase in financial assets carried at cost—noncurrent	(295,819)	(137,996)	(4,736)
Proceeds from return of financial assets carried at cost—noncurrent	9,921	67,649	2,322
Increase in long-term equity investments	(316,090)	(16,334)	(561)
Proceeds from disposal of long-term equity investments	29,361	-	-
Proceeds from return of investment in long-term investments	14,013	65,716	2,255
Increase in other financial assets—noncurrent	(15,463)	-	-
Additions to property, plant and equipment	(13,429,473)	(13,122,329)	(450,382)
Proceeds from disposal of property, plant and equipment and non-current assets held for sale	1,009,798	1,323,972	45,441
Increase in deferred expense and other assets	(1,423,879)	(1,130,362)	(38,796)
Additions to intangible assets	(875,468)	(288,895)	(9,916)
Net cash used in investing activities	<u>(15,242,351)</u>	<u>(13,189,156)</u>	<u>(452,676)</u>
Cash flows from financing activities:			
Increase in short-term borrowings	22,469,770	21,077,214	723,408
Issuance of debt securities in the form of bonds	-	8,277,119	284,086
Repurchase of the convertible bonds	-	(146,510)	(5,029)
Increase in long-term borrowings	2,068,428	3,889,740	133,503
Decrease in long-term borrowings	(10,467,120)	-	-
Increase in deposits received	7,397	189,487	6,503
Issuance of common stock arising from exercise of employee stock options	240,321	329,940	11,324
Cash dividends to shareholders	(6,299,707)	(4,572,705)	(156,944)
Treasury stock transferred to employees	89,781	5,173	178
Government grants	4,175	-	-
Increase in minority interest	-	5,000	172
Net cash provided by financing activities	<u>8,113,045</u>	<u>29,054,458</u>	<u>997,201</u>
Effect of exchange rate changes	943,059	(1,587,516)	(54,486)
Effect of the change of number in consolidated entity	31,741	-	-
Net increase in cash and cash equivalents	4,918,884	27,019,105	927,344
Cash and cash equivalents at beginning of year	<u>40,641,409</u>	<u>45,560,293</u>	<u>1,563,712</u>
Cash and cash equivalents at end of year	<u>45,560,293</u>	<u>72,579,398</u>	<u>2,491,056</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, excluding capitalized interest	924,809	1,386,387	47,583
Income taxes	3,469,921	1,281,505	43,984
Supplemental information on noncash investing and financing activities:			
Reclassification of current portion of long-term borrowings	22,253	684,086	23,479
Unrealized loss on available-for-sale financial assets	(77,379)	(98,502)	(3,381)
Unrealized gain (loss) on available-for-sale financial assets in investee accounted for under long-term equity investments	(4,119)	1,627	56
Foreign currency translation adjustment	1,553,624	(1,837,748)	(63,075)
Cash dividends to shareholders:			
Dividends payable at beginning of year	2,324	2,387	82
Appropriation of retained earnings for cash dividends	6,299,770	4,572,826	156,948
Dividends payable at end of year	(2,387)	(2,508)	(86)
	<u>6,299,707</u>	<u>4,572,705</u>	<u>156,944</u>

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2012
(amounts expressed in thousands of New Taiwan dollars and US dollars
except for earnings per share information and unless otherwise noted)

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

Wistron Corporation (the “Company”) was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). 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.

As of December 31, 2011 and 2012, the Consolidated Companies had 61,518 and 58,738 employees, respectively.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. These consolidated financial statements are intended to present the financial position of the Consolidated Companies, results of their operations, and cash flows in accordance with accounting principles generally accepted in the ROC and not those of any other jurisdictions. These significant accounting policies adopted in preparing the consolidated financial statements are as follows:

(a) Consolidation policies

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company is able to exercise control over the subsidiary’s operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of income from the date of acquisition and is excluded from the consolidated statements of income when the Company loses its power to control the subsidiary. All significant inter-company transactions among the Consolidated Companies are eliminated in consolidation.

The difference between the net purchase price and the net equity of the acquired subsidiary is accounted for as goodwill or negative goodwill (classified under “intangible assets” or “other liabilities” in the accompanying consolidated balance sheets) and previously was amortized over 5 years using the straight-line method. Goodwill is no longer amortized commencing from January 1, 2006, but is tested for impairment every year.

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011 and 2012, the consolidated financial statements included the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the “Consolidated Companies”). The Consolidated Companies, which are classified according to their primary business activity and percentage of the ownership, are as follows:

- i Research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

	Investor	Percentage of the direct and indirect ownership by the Company at December 31,	
		2011	2012
1. Wistron Corporation (the Company, Taiwan)	-	-	-
2. International Standard Labs (“ISL”, Taiwan)	the Company	100.00	100.00
3. Wistron Mexico S.A. de C.V. (“WMX”, Mexico)	the Company	100.00	100.00
4. WisVision Corporation (“WVS”, British Virgin Islands)	the Company	100.00	100.00
5. Wistron Optronics Corp. (“WOC”, formerly “WOD”, Taiwan)	the Company	100.00	100.00
6. Wistron Technology (Malaysia) Sdn. Bhd. (“WMY”, Malaysia)	the Company	100.00	100.00
7. Wiwynn Corporation (“WYHQ”, Taiwan)	the Company	(note 1)	100.00
8. Wistron InfoComm (Zhongshan) Co., Ltd. (“WZS”, China)	Cowin	100.00	100.00
9. All Technology (Zhongshan) Co., Ltd. (“ATZS”, China)	AIHH	100.00	100.00
10. Wistron InfoComm (Kunshan) Co., Ltd. (“WAKS”, China)	Win Smart	100.00	100.00
11. Wistron InfoComm Technology (Kunshan) Co., Ltd. (“WIKS”, China)	Win Smart	100.00	100.00
12. Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. (“WEKS”, China)	Win Smart	100.00	100.00
13. Wistron InfoComm (Taizhou) Co., Ltd. (“WTZ”, China)	Win Smart	100.00	100.00
14. Wistron InfoComm (CHONGQING) Co., Ltd. (“WCQ”, China)	Win Smart	100.00	100.00
15. Wistron Win Technology Service (Beijing) Limited (“WYBJ”, China)	Win Smart	100.00	100.00
16. Wistron InfoComm (Chengdu) Co., Ltd. (“WCD”, China)	WSC	100.00	100.00
17. Wistron Optronics (Kunshan) Co., Ltd. (“WOK”, China)	WDC	100.00	100.00
18. Wistron InfoComm (Qingdao) Co., Ltd (“WQD”, China)	WHHK	(note 1)	100.00
19. Wistron InfoComm (Czech) s.r.o. (“WCZ”, Czech Republic)	WSE	100.00	100.00
20. Wistron InfoComm Technology (Zhongshan) Co., Ltd. (“WTZS”, China)	WVS	100.00	100.00
21. Polymer Vision B.V. (“WPV”, Holland)	WEH	100.00	100.00
22. Creator Technology B.V. (“WCT”, Holland)	WCL	100.00	100.00
23. AnyCloud Plus Technology Company Limited (“WYACP”, Taiwan)	WYHQ	(note 1)	100.00
24. Wistron Mobile Solutions Corporation (“WCH”, U.S.A.)	the Comp ^a (note 1)		100.00

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- ii Sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

	<u>Investor</u>	Percentage of the direct and indirect ownership by the Company at December 31,	
		<u>2011</u>	<u>2012</u>
1. Cowin Worldwide Corporation (“Cowin”, British Virgin Islands)	the Company	100.00	100.00
2. AII Holding Corporation (“AIIH”, British Virgin Islands)	the Company	100.00	100.00
3. Wistron Service B.V. (“WSE”, Holland)	the Company	100.00	100.00
4. SMS InfoComm Corporation (“WTX”, E1 Paso, U.S.A.)	the Company	100.00	100.00
5. Anextek Global Incorporated (“AGI”, Taiwan)	the Company	99.94	99.94
6. SMS InfoComm (Singapore) Pte. Ltd. (“WSG”, Singapore)	the Company	100.00	100.00
7. SMS InfoComm Technology Service and Management Solutions Ltd. (“WBR”, Brazil)	the Company	100.00	100.00
8. MS InfoComm Technology Service Limited Company (“WTR”, Turkey)	the Company	100.00	100.00
9. Service Management Solutions Colombia S.A.S. (“WSCO”, Colombia)	the Company	100.00	100.00
10. Service Management Solutions-Mexico SA DE CV (“WSMX”, Mexico)	the Company	100.00	100.00
11. Wistron InfoComm (Philippines) Corporation (“WPH”, Philippines)	the Company	100.00	100.00
12. Wistron InfoComm Technology (America) Corporation (“WITX”, U.S.A.)	WLLC	100.00	100.00
13. Wistron Service (Shanghai) Co., Ltd. (“WSSH”, China)	Win Smart	(note 2)	(note 2)
14. Wistron Service (Kunshan) Corp. (“WSKS”, China)	Win Smart	100.00	100.00
15. Wistron Hong Kong Limited (“WHK”, Hong Kong)	Win Smart	100.00	100.00
16. SMS (Kunshan) Co., Ltd. (“WMKS”, China)	Win Smart	100.00	100.00
17. Wistron Optronics (Shanghai) Corporation (“WOS”, China)	WDC	(note 2)	(note 2)
18. Wistron Optronics (Shanghai) Co., Ltd. (“WOSH”, China)	WDC	100.00	100.00
19. Wistron K.K. (“WJP”, Japan)	AIIH	100.00	100.00
20. ICT Service Management Solutions (India) Private Limited (“WIN”, India)	WSG	100.00	100.00
21. SMS InfoComm (Czech) s.r.o. (“WSCZ”, Czech Republic)	WEH	100.00	100.00

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

iii Investment and holding companies:

	<u>Investor</u>	Percentage of the direct and indirect ownership by the Company at December 31,	
		<u>2011</u>	<u>2012</u>
1. WiseCap Ltd. ("WCL", Taiwan)	the Company	100.00	100.00
2. Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	the Company	100.00	100.00
3. Wistron LLC ("WLLC", U.S.A.)	the Company	100.00	100.00
4. Wistron Advanced Materials (Hong Kong) Limited ("WGHK", Hong Kong)	the Company	100.00	100.00
5. Wistron Europe Holding Cooperatie U.A. ("WEH", Holland)	the Company	100.00	100.00
6. Xserve Technology Incorporated ("XTI", British Virgin Islands)	AGI	99.94	99.94
7. WinDisplay Corporation ("WDC", British Virgin Islands)	AIIH	100.00	100.00
8. WLB Ltd. ("WLB", Taiwan)	WCL	100.00	100.00
9. Wistron Hong Kong Holding Limited ("WHHK", Hong Kong)	Win Smart	100.00	100.00
10. Wistron Investment (Sichuan) Co., Ltd. ("WSC", China)	WHHK	100.00	100.00

iv Software research, development, design, trading and consultation:

	<u>Investor</u>	Percentage of the direct and indirect ownership by the Company at December 31,	
		<u>2011</u>	<u>2012</u>
1. Wistron InfoComm (Shanghai) Corporation ("WSH", China)	AIIH	100.00	100.00

v Recycling of electronic products :

	<u>Investor</u>	Percentage of the direct and indirect ownership by the Company at December 31,	
		<u>2011</u>	<u>2012</u>
1. Wistron Green Tech (Texas) Corporation ("WGTX", U.S.A.)	the Company	100.00	100.00
2. Wistron Advanced Materials (Kunshan) Co., Ltd. ("WGKS", China)	WGHK	100.00	100.00

(note 1) A subsidiary of the Company, which was established after December 31, 2011.

(note 2) A subsidiary of the Company, which was liquidated during the fourth quarter of 2011.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(c) Foreign currency transactions and translation

The functional and reporting currency of the domestic consolidated entities is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. If the financial assets or liabilities are evaluated at fair value through profit or loss, non-monetary assets and liabilities are translated using the spot rate on the balance sheet date, and the resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. If the financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange gain (loss) from such translations is recorded as a separate component of stockholders' equity.

The financial statements of those foreign consolidated subsidiaries and investees, which are accounted for under the equity method, are remeasured, if their reporting currency is not their functional currency. The remeasurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the Company's reporting currency. Translation adjustments resulting from such translation are accounted for as cumulative translation adjustment, which is a separate component of stockholders' equity.

(d) Classification criteria for current or noncurrent assets and liabilities

Cash and cash equivalents and assets, which are held for trading purposes or held for the short term and expected to be liquidated within 12 months after the balance sheet date are classified as current assets, otherwise are classified as noncurrent assets.

Liabilities which are expected to be paid within 12 months after the balance sheet date are classified as current liabilities, otherwise are classified as noncurrent liabilities.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(e) Asset impairment**

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the asset. Impairment loss is recognized for an asset whose carrying value is higher than the recoverable amount. An impairment loss recognized in prior periods is reversed for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of carrying value over the recoverable amount thereof.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, miscellaneous petty cash, and other highly liquid investments which do not have a significant level of market or credit risk from potential interest rate changes.

(g) Financial instruments

Financial instruments are initially recognized at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. A regular way purchase or sale of financial assets is recognized and derecognized using the trade date accounting. Subsequent to initial recognition, financial instruments are measured as follows:

i Financial assets/liabilities at fair value through profit or loss

An instrument is classified as financial instrument at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes in fair value are recognized in profit or loss.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ii Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes in fair value, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an available-for-sale-financial asset (investment) is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If the amount of the impairment loss decreases subsequently, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

iii Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is prohibited, until these assets are disposed.

iv Notes and accounts receivables and other financial assets and liabilities

The amortized cost and interest income or interest expenses on notes and accounts receivables and other financial assets and liabilities are calculated using the effective rate. The Consolidated Companies consider evidence of impairment for notes and accounts receivables at both individual and collective level. All individually significant receivables are assessed for specific impairment. All individually significant notes and accounts receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Notes and accounts receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Consolidated Companies use 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 less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against notes and accounts receivables. Interest on impaired asset continuously recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prior to the adoption of the third revised provisions of “Accounting for Financial Instruments” effective January 1, 2011, allowance for bad debts is estimated based on the recoverability of all the receivables, in consideration of past collection experience, client credit rating, aging analysis and internal credit policy.

(h) Receivables from related parties

Receivable arising from the sale of inventories, equipment and services to related parties and advance payments to related parties are accounted for as notes and accounts receivable—related parties or other receivable—related parties.

The collection policies on accounts receivable from related parties are similar to those of third parties. However, if the collection policies cannot be enforced due to the insolvency or negative equity of the related parties, the accounts receivable overdue for a certain period after the normal credit term are reclassified to other receivables.

(i) Inventories

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

(j) Long-term equity investments

Long-term investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee companies' voting shares, or own less than 20% of the investee companies' voting shares but have significant influence on the investee companies, are accounted for by the equity method. Commencing from January 1, 2006, differences between investment cost and investee's net equity determined at fair value are accounted for as follows:

- i If the cause of the difference is attributable to a specific transaction, the difference is accounted for using the original accounting treatment. However, goodwill is no longer amortized and the amortization expense recognized in previous years cannot be reversed.
- ii If the difference is related to a difference that is originally amortized for a certain period, the unamortized portion relating to the excess of investment cost over the investee's net equity is accounted for as goodwill.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

iii Deferred credit of long-term equity investment is amortized over the remaining period.

A goodwill impairment test is performed annually. If any indication of impairment exists, an impairment test is performed immediately. Impairment loss is recognized for the excess of the carrying value over the estimated recoverable amount.

When a long-term equity investment is sold, the difference between the selling price and the book value of long-term equity investments under the equity method is recognized as disposal gain or loss in the statement of income. If there is a capital surplus arising from long-term equity investments, such capital surplus is charged proportionately against the disposal gain or loss based on the disposal ratio.

Unrealized gains and losses resulting from transaction between the Consolidated Companies and their investee companies and among subsidiaries are deferred. Gains and losses arising from transactions relating to depreciable or amortizable assets are recognized over their useful lives. Gains and losses from other assets are recognized when realized.

When investee companies issue common stock and the Consolidated Companies do not purchase the shares of common stock in accordance with their ownership holding ratio, the Consolidated Companies adjust their capital surplus based on the net changes in the capital surplus and long-term equity investment. If the capital surplus arising from long-term investment accounted for under the equity method is insufficient, the deficiency is debited to retained earnings.

If the equity of the investee accounted for under the equity method by the Consolidated Companies becomes negative and the Consolidated Companies have guaranteed the payments of the investee's debt or have provided other financial commitments to the investee, or if the investee's loss is temporary in nature, then the investment loss is recognized continuously by using the equity method. The excess of recognized investment loss over the carrying value of related long-term equity investment and receivables from related parties is accounted for as long-term equity investment credits, which is classified as a liability in the balance sheet.

Investment in entities that are jointly controlled by the Consolidated Companies and its joint venture partners are accounted for by the equity method.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(k) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation. Interest expense related to the purchase and construction of property and equipment is capitalized and included in the cost of the related assets. Significant additions, improvements and replacements are capitalized. Maintenance and repair costs are expensed in the periods incurred. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful lives using the straight-line method.

The removal and recovery costs for fixed assets that are accrued during the non-production period are accounted for in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation. A component of a fixed asset is depreciated individually if it is a significant part of its total cost. The residual useful lives, the depreciation method and the residual value are evaluated at each financial year-end and any change thereof is accounted for as a change in accounting estimate.

The estimated useful lives of the respective classes of property, plant and equipment are as follows:

i Buildings and improvements:	5 to 55 years
ii Machinery and equipment:	2 to 10 years
iii Molding equipment:	1 to 2 years
iv Research and development equipment:	1 to 5 years
v Furniture, fixtures and other equipment:	2 to 10 years
vi Leasehold improvements:	2 to 5 years

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or expense.

Property being leased to others is classified as other assets and is measured at cost less accumulated depreciation and impairment loss.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Intangible assets

In accordance with ROC SFAS No. 25 “Business Combinations”, goodwill is accounted for based on the excess of the cost of the acquisition over the Consolidated Companies’ interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. Other intangible assets are stated at acquisition cost less accumulated amortization and consist primarily of core technology, customer relationships, patents and computer software. In accordance with SFAS No. 37 “Intangible Assets”, an intangible asset, other than that acquired by way of a government grant, which is measured at its fair value, is measured initially at cost. Subsequent to initial recognition, an intangible asset is measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The amortizable amount of an intangible asset is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The estimated useful lives of the intangible assets are as follows:

i Patents:	3 to 10 years
ii Software:	3 to 10 years
iii Core technology:	2 years
iv Customer relationships:	5 years
v Land use rights:	50 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are evaluated at least at each financial year-end. Any change thereon is accounted for as a change in accounting estimate.

In accordance with SFAS No. 37, except when it forms part of the cost of a business combination, expenditure on research is recognized as an expense when it is incurred.

An intangible asset arising from its development is recognized if, and only if, the Consolidated Companies can demonstrate all of the following:

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

(Continued)

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

Capitalized development expenditure is measured at cost less accumulated impairment losses.

In accordance with SFAS No. 37, an intangible asset with an indefinite useful life is not amortized but subject to an impairment test.

The useful life of capitalized development expenditure not being amortized is evaluated at least at the end of each year to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

As the Consolidated Companies currently cannot distinguish between the research stage and development stage for their R&D projects, all R&D expenditures are expensed at the research stage.

(m) Lease

The gain/loss on disposal of property is deferred and recognized as “unrealized gain/loss on sale-and-leaseback” when the property is sold and leased back. The unrealized gain/loss on sale-and-leaseback is amortized as follows:

- i Over the expected lease period (including renewal period) under an operating lease; or
- ii Over the estimated useful life of the property under a capital lease if the lessor transfers the ownership of the property to the lessee by the end of the lease term or the lessee has a bargain purchase option; or
- iii Over the contractual lease period under other type of capital lease.

(n) Deferred expenses

Deferred expenses are stated at cost and consist primarily of costs of improvements of buildings used for operations. These expenses are amortized using the straight-line method over their economic useful lives of 2 to 5 years.

(o) Accrued warranty costs

For products under warranty, warranty costs are accrued based on the historical record of the cost of returns for repair, failure rate and warranty period. Warranty costs are accounted for as current expenses when the products with warranty are sold.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(p) Convertible bonds

Convertible bonds issued by the Company contain both a financial liability and an equity component. The equity component grants an option to the bondholder to convert a fixed number of bonds into a fixed number of the Company's common shares. On initial recognition, the carrying amount of the liability component is measured at the fair value of a similar liability that does not have an associated equity component. The initial carrying amount of the equity component is then determined based on the excess of the proceeds from the issuance of convertible bonds over the fair value of the financial liability. Transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

The difference between the initial carrying amount of the liability component and the redeemable amount that is payable on maturity is amortized and charged to interest expense using the effective interest rate method over the life of the bond. The embedded financial instruments (redemption options) are accounted for as financial liabilities at fair value through profit and loss and measured at fair value. The equity component of the convertible bonds is recognized as capital surplus upon initial recognition and is not subject to valuation in subsequent periods.

(q) Retirement plan

The Company and its domestic consolidated subsidiaries established noncontributory employee defined benefit retirement plans (the "Plans") covering full-time employees. In accordance with the Plans, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on an employee's average monthly salary for the last six months before the employee's retirement and the number of points accumulated by the employee according to his/her years of service. Each employee receives 2 points for each service year from year 1 to year 15, 1 point thereafter, and the maximum points shall not exceed 45 points. Every point is equivalent to one month salary. A lump-sum retirement benefit is paid through the retirement fund. Under this retirement plan, the Company and its domestic consolidated subsidiaries are responsible for making the entire pension payment.

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") require the following categories of employees to be covered by the New Act that prescribes a defined contribution plan:

- i employees covered by the original Plan who opted to be subject to the pension mechanism under the New Act; and
- ii employees who commenced working after the enforcement date of the New Act.

(Continued)

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

In accordance with the New Act, an employer is required to contribute monthly to an individual labor pension fund account at the rate of not be lower than 6% of the worker's monthly wages. Pension cost contribution is recognized as expense on accrual basis.

For the defined benefit retirement plan, the Consolidated Companies adopted ROC SFAS No. 18, "Accounting for Pensions", which requires a company to have an actuarial calculation of its pension liability using the year-end date as the measurement date. Based on the actuarial calculation, the Consolidated Companies recognize a minimum pension liability and net periodic pension costs covering the service lives of the employees. The Company and its domestic subsidiaries contribute an amount to the retirement fund monthly at a rate of 2% of the salaries and wages. This retirement fund is deposited with the Bank of Taiwan.

Certain of the Company's foreign subsidiaries have defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred.

(r) Treasury stock

Treasury stock is accounted for at acquisition cost. Upon disposal of the treasury stock, the sales proceeds in excess of cost are accounted for as capital surplus—treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus—treasury stock. If the remaining balance of capital surplus—treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the cost of the retired treasury stock (calculated using the weighted average method) is written off against the par value and capital surplus, if any, of the stock retired. The excess of the cost of the treasury stock retired over the sum of both its par value and the capital surplus—treasury stock, is accounted for as a reduction of capital surplus—treasury stock, or a reduction of retained earnings if the capital surplus—treasury stock is insufficient to cover the excess. If the cost of written off treasury stock retired is less than the sum of both its par value and capital surplus, if any, the difference is accounted for as an increase in capital surplus—treasury stock.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(s) Share-based payment

The employee stock options which were granted before January 1, 2008, are accounted for based on Interpretations (92) 070, 071 and 072 issued by the Accounting Research and Development Foundation. Under these Interpretations, compensation cost is recognized based on, the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date, using the intrinsic value method. This compensation cost is charged to expense over the employee vesting period with corresponding increases in the stockholders' equity.

(t) Revenues recognition

Revenue is recognized when products are delivered to customers and the significant risks and rewards of ownership are transferred. Repair income is recognized when the services are rendered.

(u) Employees' bonus and directors' emoluments

Employees' bonus and directors' emoluments appropriated on or after January 1, 2008, are accounted for based on Interpretation (96) 052 issued by the Accounting Research and Development Foundation. Under this interpretation, the Company and its domestic subsidiaries estimate the amount of employees' bonus and directors' emoluments and recognize it as expense as services are rendered. The difference between the amount approved in the shareholders' meeting and the amount estimated and recognized in the consolidated financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss.

(v) Income taxes

The Consolidated Companies adopted ROC SFAS No. 22 "Income Taxes" for the computation of income taxes. Accordingly, deferred income tax is accounted for the differences between accounting and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets. In addition, the realization of deferred income tax assets is evaluated and if it is considered more likely than not these assets will not be realized, a valuation allowance is recognized accordingly. Deferred income tax assets and liabilities are classified as either current or noncurrent based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment tax credit granted for purchases of equipment, research and development expenses, and training costs is recognized using the flow through method.

In accordance with the ROC Income Tax Act, the Company and its domestic consolidated subsidiaries may retain the earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(w) Earnings per common share

Earnings per common share is calculated by dividing net income by the weighted-average number of outstanding common shares. The weighted-average number of outstanding common shares is adjusted retroactively for the distribution of stock dividends to stockholders from retained earnings or capital surplus.

Stock options and common stock issued for employees' bonus are potentially common stock. Only basic earnings per share are disclosed if these potential common shares stock are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating the diluted earnings per share, the net income and weighted average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the year.

(x) Operating segment information

The Consolidated Companies adopted the ROC SFAS No. 41 "Disclosure of the Operating Segment" effective January 1, 2011. According to the standard, an operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the Consolidated Companies' chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(y) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the December 31, 2012 New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Taipei Forex Inc. on December 31, 2012, of NT\$29.136 to US\$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in Accounting Principles

- (a) The Consolidated Companies adopted the third revisions of the ROC SFAS No. 34 “Accounting for Financial Instruments” effective January 1, 2011 for the recognition, measurement and impairment of originated loans and receivables. The adoption of this amended accounting principle disclosed no significant impact on the Consolidated Companies’ financial statements as of and for the year ended December 31, 2011.
- (b) The Consolidated Companies likewise adopted the ROC SFAS No. 41 “Disclosure of the Operating Segment” effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the ROC SFAS No. 20 “Segment Reporting”. The adoption of this new accounting standard disclosed no impact on the Consolidated Companies’ profit and loss for the year ended December 31, 2011.

4. Significant Account Disclosures

(a) Cash and cash equivalents

The components of cash and cash equivalents as of December 31, 2011 and 2012 were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Cash on hand	56,509	104,220	3,577
Cash in banks	19,857,457	25,228,652	865,893
Time deposits	25,646,157	47,232,265	1,621,096
Short-term notes	170	14,261	490
	<u>45,560,293</u>	<u>72,579,398</u>	<u>2,491,056</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Financial instruments

(1) Financial assets and liabilities at fair value through profit or loss as of December 31, 2011 and 2012, were as follows:

	2011	2012	
	NT\$	NT\$	US\$
Current assets:			
Financial assets:			
Foreign currency swap contracts	4,235	5,984	206
Foreign currency forward contracts	3,801	883	30
	8,036	6,867	236
Financial liabilities:			
Foreign currency swap contracts	1,128	14,098	484
Foreign currency forward contracts	1,078	12,031	413
	2,206	26,129	897
Noncurrent assets:			
Financial assets:			
Redemption option of convertible bonds (note 4(j))	-	800	27

For the years ended December 31, 2011 and 2012, gain (loss) arising from the change in the fair market value of the derivative contracts and the redemption option of convertible bonds amounted to NT\$88,905 and NT\$(27,469) (including redemption option of the convertible bonds), respectively, and was accounted for under "evaluation gain (loss) on financial instruments".

Derivative contracts of the Consolidated Companies with several banks were intended to manage foreign currency exchange and interest rate fluctuation risks from operating, financing and investing activities. As of December 31, 2011 and 2012, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency swap contracts

2011		2012	
Notional amount	Currency	Notional amount	Currency
USD <u>155,000</u>	USD Put / NTD Call	USD <u>60,000</u>	USD Put / NTD Call
USD <u>15,000</u>	NTD Put / USD Call	USD <u>45,493</u>	USD Put / CNY Call
USD <u>15,000</u>	CNY Put / USD Call	USD <u>404,000</u>	NTD Put / USD Call

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Foreign currency forward contracts

2011		2012	
Notional amount	Currency	Notional amount	Currency
USD <u>13,000</u>	NTD Put / USD Call	USD <u>319,000</u>	NTD Put / USD Call
USD <u>74,000</u>	USD Put / NTD Call		

(2) Available-for-sale financial assets as of December 31, 2011 and 2012, were as follows:

	2011	2012	
	NT\$	NT\$	US\$
Available-for-sale financial assets – current:			
Bond fund	<u>370</u>	<u>3,005</u>	<u>103</u>
Available-for-sale financial assets – noncurrent:			
Publicly traded stock – Global Lighting Technologies Inc. (“GLT”)	766,006	752,194	25,817
Publicly traded stock – Xplore	3,605	1,058	36
Publicly traded stock – DDD Group PLC	181,599	130,327	4,473
Publicly traded stock – Alpha Networks	560,143	504,388	17,312
Publicly traded stock – Super Dragon Technology Co., Ltd.	158,928	166,307	5,708
Stock traded on OTC – High-Tek	18,951	18,042	619
Stock traded on OTC – Gamania	<u>58,583</u>	<u>60,501</u>	<u>2,076</u>
	<u>1,747,815</u>	<u>1,632,817</u>	<u>56,041</u>

For the years ended December 31, 2011 and 2012, unrealized loss on available-for-sale financial assets recognized as adjustments to stockholders’ equity amounted to NT\$77,379 and NT\$98,502, respectively.

For the years ended December 31, 2011 and 2012, the Consolidated Companies disposed of available-for-sale financial assets and recognized gains on disposal thereof of NT\$35,896 and NT\$13,139, respectively. These gains were accounted for under “gain on disposal of investments”.

As GLT had been listed in Taiwan commencing from July, 2011, the Consolidated Companies reclassified its equity investment in GLT from the “financial assets carried at cost – noncurrent” to “available-for-sale financial assets – noncurrent”.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Financial assets carried at cost as of December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Noncurrent:			
Privately held stock – Bcom Electronics Inc.	18,728	18,728	643
Privately held stock – IP Fund II L.P.	7,681	2,911	100
Privately held stock – IP Fund III L.P.	41,587	41,587	1,427
Privately held stock – Vmedia Research	-	-	-
Privately held stock – Jafco AT Fund III L.P.	113,962	112,253	3,853
Privately held stock – Jafco AT Fund IV L.P.	131,788	133,692	4,589
Privately held stock – IP Fund One, L.P.	30,965	29,786	1,022
Privately held stock – Golden Unify International Enterprises Ltd. (“GUI”)	-	-	-
Privately held stock – FineMat Applied Materials Co., LTD (AcroSense Technology Co., Ltd.)	157,920	157,920	5,420
Privately held stock – IP Cathay II, L.P.	182,567	177,802	6,102
Privately held stock – IP Cathay One, L.P.	141,145	109,441	3,756
Privately held stock – Keen High Technologies Limited	119,141	114,602	3,933
Privately held stock – Nol Vate Advanced Ltd.	90,000	90,000	3,089
Privately held stock – U-Systems, Inc.	69,243	69,243	2,377
Privately held stock – Lilee Systems, Ltd.	162,876	162,876	5,590
Privately held stock – Zeo, Inc.	45,459	45,459	1,560
Privately held stock – Phostek, Inc.	43,337	43,337	1,487
Privately held stock – IP Fund Six.	60,000	60,000	2,059
Privately held stock – Janus Technologies Inc.	-	30,182	1,036
Privately held stock – Corsa Fund 2012, LP	-	5,900	203
Privately held stock – Advance Power & Energy Semiconductor, Inc. (“APES”)	-	16,316	560
Privately held stock – Plexbio Co., Ltd.	-	9,000	309
Privately held stock – Applied BioCode Inc.	-	43,803	1,503
Others	758	728	26
	<u>1,417,157</u>	<u>1,475,566</u>	<u>50,644</u>

The above privately held equity securities were measured at cost as there were no market prices available for determining their fair value.

In July 2010, GUI started its liquidation. The Consolidated Companies reclassified their investment in this investee into other financial assets – noncurrent. In December 2011, the process of liquidating was completed.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Other financial assets – noncurrent as of December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Stock – Golden Unify International Enterprises Ltd. (“GUI”)	<u>-</u>	<u>-</u>	<u>-</u>

(c) Accounts receivable

The components of accounts receivable as of December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Notes and accounts receivable	102,878,913	93,515,737	3,209,628
Less: allowance for doubtful accounts	<u>(121,542)</u>	<u>(121,709)</u>	<u>(4,177)</u>
	<u>102,757,371</u>	<u>93,394,028</u>	<u>3,205,451</u>

As of December 31, 2011 and 2012, the Consolidated Companies’ notes and accounts receivable were not pledged.

The carrying amounts of notes and accounts receivable approximate fair value because of their short term maturities.

The movements of allowance for doubtful accounts for the years ended December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Balance beginning of year	94,835	121,542	4,171
Provision for bad debts	<u>26,707</u>	<u>167</u>	<u>6</u>
Balance end of year	<u>121,542</u>	<u>121,709</u>	<u>4,177</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2012, the Consolidated Companies recognized bad debt expenses based on the result of the Consolidated Companies' evaluation. In evaluating bad debts, the Consolidated Companies considered 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 less than suggested by historical trends.

As of December 31, 2011 and 2012, the factored accounts receivable that conformed to the derecognition criteria were as follows:

2011						
Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac (note 1)	US\$ 1,098,790	580,000	515,216	580,000	Without recourse	515,216
Mega International Commercial Bank (note 2) and (note 3)	<u>1,371,170</u>	<u>1,100,000</u>	<u>951,775</u>	<u>1,100,000</u>	"	<u>1,018,627</u>
	US\$ <u>2,469,960</u>	<u>1,680,000</u>	<u>1,466,991</u>	<u>1,680,000</u>		<u>1,533,843</u>
2012						
Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac (note 1)	US\$ 548,710	600,000	273,177	600,000	Without recourse	273,177
Mega International Commercial Bank (note 2)	<u>1,337,236</u>	<u>1,137,000</u>	<u>1,005,202</u>	<u>1,137,000</u>	"	<u>1,089,352</u>
	US\$ <u>1,885,946</u>	<u>1,737,000</u>	<u>1,278,379</u>	<u>1,737,000</u>		<u>1,362,529</u>

(note 1): In June 2011, the Company entered into a syndicated accounts receivable factoring agreement with Bank SinoPac, First Bank, Chang Hwa Bank and Hua Nan Bank. Each of these banks participated on a pro rata basis. The Company arranged for its refinancing in June 2012.

(note 2): In April 2011, the Company entered into a syndicated accounts receivable factoring agreement with Mega International Commercial Bank, Chang Hwa Bank, First Bank and Hua Nan Bank. Each of these banks participated on a pro rata basis. The Company arranged for its refinancing in May 2012.

(note 3): As of December 31, 2011, the related party receivable from AI (note 5), which was included among the factored accounts receivable amounted to US\$704,901 and the related derecognized accounts amounted to approximately US\$352,358.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The above-mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of December 31, 2011 and 2012, included among the factored accounts receivable, were accounts receivable of NT\$2,024,947 and NT\$2,451,803, 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 financial assets—current” in the accompanying consolidated balance sheets.

For the years ended December 31, 2011 and 2012, the average annual interest rates on factored accounts receivable were 0.82% to 1.70% and 1.24% to 1.70%, respectively.

(d) Inventories

The components of inventories as of December 31, 2011 and 2012 were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Raw materials	20,747,867	23,626,362	810,899
Less: provision for obsolescence	<u>(214,217)</u>	<u>(238,953)</u>	<u>(8,201)</u>
Sub-total	<u>20,533,650</u>	<u>23,387,409</u>	<u>802,698</u>
Work in process	3,826,200	5,052,052	173,396
Less: provision for obsolescence	<u>(58,639)</u>	<u>(37,587)</u>	<u>(1,290)</u>
Sub-total	<u>3,767,561</u>	<u>5,014,465</u>	<u>172,106</u>
Finished goods	9,213,026	11,417,116	391,856
Less: provision for obsolescence	<u>(106,546)</u>	<u>(87,905)</u>	<u>(3,017)</u>
Sub-total	<u>9,106,480</u>	<u>11,329,211</u>	<u>388,839</u>
Inventory in transit	<u>7,244,404</u>	<u>7,692,868</u>	<u>264,033</u>
Less: provision for obsolescence	<u>(1,253,764)</u>	<u>(1,189,733)</u>	<u>(40,834)</u>
	<u>39,398,331</u>	<u>46,234,220</u>	<u>1,586,842</u>

For the years ended December 31, 2011 and 2012, the Consolidated Companies recognized related losses on inventories of NT\$201,455 and NT\$785,573, respectively, which included losses on inventories charged to cost of sale of NT\$334,526 and NT\$915,573, respectively, arising from write down of inventories to net realizable value.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(e) Long-term equity investments

Long-term equity investments and long-term investment credit as of December 31, 2011 and 2012, and related investment income or loss for the years then ended, were as follows:

Investee	2011		2011
	Percentage of ownership	Book value NT\$	Investment income (loss) NT\$
Accounted for under equity method:			
Wistron NeWeb Corporation (“WNC”)	26.53%	2,500,358	455,097
AOpen Inc. (“AOI”)	27.10%	368,735	10,633
Changing Information Technology Inc. (“CGI”)	28.03%	35,779	3,204
Mindforce Holdings Limited	28.88%	1,310,970	(39,562)
Wistron Information Technology and Services Corporation (“WITS”)	34.95%	255,793	7,814
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	7,938	478
Formosoft International Inc.	28.47%	19,546	7,747
Park Orchid Limited (“POL”)	46.88%	-	(3,840)
Hsieh-Yuh Technology Co., Ltd.	30.00%	42,868	(22,210)
Main Source Technology Co., Ltd. (“Main Source”)	35.48%	-	-
Cetus International Co., Limited (“CTI”)	30.00%	766	(37,371)
Super Elite Ltd. (“Super Elite”)	43.17%	108,210	18,798
Information SuperGrid Technology Global Inc. (“ISGTG”)	40.00%	128,787	(12,674)
Hartec Aisa Pte. Ltd. (“Hartec Aisa”)	20.02%	205,530	6,410
Information SuperGrid Technology China Limited (“ISGTC”)	40.00%	149,635	(1,766)
BriVision Optronics (L) Corp. (“WBV”)	49.01%	126,508	(27,672)
HERACLES ENTERPRISES LIMITED (“HCL”)	30.00%	94,407	(12)
Mintek Thin Film Corp. (“Mintek”)	25.00%	73,752	(1,242)
Deferred credits of long-term equity investments (note 5(b)(6))		<u>(46,063)</u>	<u>1,137</u>
		<u>5,383,519</u>	<u>364,969</u>
Long-term investment credit (note 5) (note):			
Gold Connection Ltd. (“GDCL”)	29.00%	(14,991)	(9)
Xserve (BVI) Corp.	33.99%	(2,920)	-
		<u>(17,911)</u>	<u>364,960</u>

(note): Of the long-term investment credit, NT\$44 was treated as a contra account to other receivable—related parties and the remaining balance of NT\$17,867 was accounted for under other liabilities.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investee	Percentage of ownership	2012		2012	
		Book value		Investment income (loss)	
		NT\$	US\$	NT\$	US\$
Accounted for under equity method:					
Wistron NeWeb Corporation ("WNC")	26.22%	2,518,100	86,426	296,821	10,187
AOpen Inc. ("AOI")	27.10%	358,018	12,288	(8,147)	(280)
Changing Information Technology Inc. ("CGI")	28.03%	38,426	1,319	4,256	146
Mindforce Holdings Limited	28.88%	1,280,400	43,946	16,405	563
Wistron Information Technology and Services Corporation ("WITS")	34.46%	269,357	9,245	19,837	681
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	8,256	283	508	17
Formosoft International Inc.	28.47%	16,369	562	(1,168)	(40)
Hsieh-Yuh Technology Co., Ltd.	30.00%	11,141	382	(31,018)	(1,065)
Main Source Technology Co., Ltd. ("Main Source")	35.48%	-	-	-	-
Cetus International Co., Limited ("CTI")	30.00%	-	-	(903)	(31)
Super Elite Ltd. ("Super Elite")	23.90%	79,393	2,725	(23,645)	(812)
Information SuperGrid Technology Global Inc. ("ISGTC")	40.00%	117,607	4,036	(6,363)	(218)
Hartec Asia Pte. Ltd. ("Hartec Asia")	20.02%	199,378	6,843	(1,080)	(37)
Information SuperGrid Technology China Limited ("ISGTC")	40.00%	143,584	4,928	(355)	(12)
BriVision Optronics (L) Corp. ("WBV")	49.01%	111,886	3,840	(11,457)	(393)
HERACLES ENTERPRISES LIMITED ("HCL")	30.00%	94,143	3,231	(17)	(1)
Mintek Thin Film Corp. ("Mintek")	25.00%	62,495	2,145	(11,314)	(388)
WiseOps Co., Limited ("GDCL")	30.00%	6,725	231	(2,046)	(70)
Maya International Compnay, Ltd. ("Maya")	20.00%	7,383	253	(118)	(4)
Gold Connection Ltd. ("GDCL")	-	-	-	27,394	940
Deferred credits of long-term equity investments (note 5(b)(6))	-	(44,924)	(1,541)	1,139	40
		<u>5,277,737</u>	<u>181,142</u>	<u>268,729</u>	<u>9,223</u>
Long-term investment credit (note 5) (note):					
Xserve (BVI) Corp.	33.99%	<u>(2,808)</u>	<u>(96)</u>		

(note): Of the long-term investment credit, NT\$44 was treated as a contra account to other receivable—related parties and the remaining balance of NT\$2,764 was accounted for under other liabilities.

As of December 31, 2011 and 2012, the market values of long-term equity investments in listed companies were as follows:

	2011	2012	
	NT\$	NT\$	US\$
WNC	3,756,506	3,900,430	133,870
AOI	289,544	227,023	7,792
	<u>4,046,050</u>	<u>4,127,453</u>	<u>141,662</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The above-mentioned long-term investment credits were netted against other receivable—related parties (see note 5). Deferred credits of long-term investments represent the unamortized balance of deferred gains derived from the transfer of equity investment ownership among the affiliated companies. These long-term investment credits are debited when the related assets of the investee companies are depreciated or amortized or the Consolidated Companies' equity holding ratios in the investee companies have changed.

For the year ended December 31, 2011, the Consolidated Companies sold portion of equity ownership in ACA. The sale of such equity ownership resulted in a gain of NT\$42,013, which was accounted for under "gain on disposal of investments".

For the year ended December 31, 2011, the Consolidated Companies' capital surplus had increased by NT\$15,215 due to the change in equity holding ratios of the Consolidated Companies in WNC arising from the change of WNC's capital surplus.

For the year ended December 31, 2012, the Consolidated Companies' capital surplus increased by NT\$2,939 due to the change in equity holding ratio of the Consolidated Companies in WNC and WITS, arising from the exercise of employee stock options by WNC and WITS. Also, Super Elite issued new shares of stock in order to acquire ownership of Hong Kong Comteck Electronics Co., Limited through shares swap.

For the years ended December 31, 2011 and 2012, unrealized gain (loss) on available-for-sale financial assets of NT\$(4,119) and NT\$1,627, respectively, was recognized as adjustments to stockholders' equity in proportion to the equity investment ownership ratio.

The Consolidated Companies formally entered into a joint venture agreement with AU Optronics Corp. ("AUO") and established WBV in March 2011 in Malaysia. Also, the Consolidated Companies and AUO have jointly invested in BriVision Optronics (Zhongshan) Corp. in China through WBV. Under this joint venture agreement, the Consolidated Companies own 49.01% of the equity of WBV.

The Consolidated Companies' share of the related accounts from WBV as of December 31, 2011, and 2012 and for the years then ended, was as follows:

	<u>2011</u> NT\$	<u>2012</u> NT\$
Current assets at end of year	127,893	91,584
Non-current assets at end of year	36,646	28,851
Current liabilities at end of year	38,031	4,118
Revenues for the year ended December 31	62,129	66,460
Expenses for the year ended December 31	89,801	77,877

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(f) Property, plant and equipment

For the years ended December 31, 2011 and 2012, interest capitalized amounted to NT\$32,709 and NT\$9,744, respectively, and the capitalized interest rate was 0.76% and 1.04%~1.25% per annum, respectively.

Property and equipment provided as collateral as of December 31, 2011 and 2012, were disclosed in note 6.

(g) Intangible assets

	<u>Patents</u>	<u>Goodwill</u>	<u>Software</u>	<u>Core technology</u>	<u>Customer relationships</u>	<u>Land use rights</u>	<u>Others</u>	<u>Total</u>
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Original cost								
Balance at January 1, 2011	854,953	561,959	1,896,087	355,100	264,800	1,389,785	1,687	5,324,371
Additions	98,042	-	279,960	-	-	497,296	170	875,468
Decrease	-	-	-	-	-	-	(111)	(111)
Reclassification	73,698	-	(73,525)	-	-	-	-	173
Derecognition	-	-	(1,265,302)	(355,100)	-	-	-	(1,620,402)
Cumulative translation adjustment	-	-	1,918	-	-	64,016	(218)	65,716
Balance at December 31, 2011	<u>1,026,693</u>	<u>561,959</u>	<u>839,138</u>	<u>-</u>	<u>264,800</u>	<u>1,951,097</u>	<u>1,528</u>	<u>4,645,215</u>
Balance at January 1, 2012	1,026,693	561,959	839,138	-	264,800	1,951,097	1,528	4,645,215
Additions	14,760	10,988	262,865	-	-	-	282	288,895
Decrease	-	-	(19,611)	-	-	-	-	(19,611)
Reclassification	29,577	-	7,239	-	-	-	(1,433)	35,383
Derecognition	(3,222)	-	(422)	-	-	-	-	(3,644)
Cumulative translation adjustment	(441)	-	(1,163)	-	-	(65,275)	54	(66,825)
Balance at December 31, 2012	<u>1,067,367</u>	<u>572,947</u>	<u>1,088,046</u>	<u>-</u>	<u>264,800</u>	<u>1,885,822</u>	<u>431</u>	<u>4,879,413</u>
Accumulated amortization								
Balance at January 1, 2011	189,798	-	1,435,077	355,100	119,160	111,896	524	2,211,555
Amortization	103,454	-	382,674	-	52,960	29,182	542	568,812
Decrease	-	-	-	-	-	-	(58)	(58)
Reclassification	50,555	-	(50,497)	-	-	-	-	58
Derecognition	-	-	(1,265,302)	(355,100)	-	-	-	(1,620,402)
Cumulative translation adjustment	-	-	(724)	-	-	6,623	(83)	5,816
Balance at December 31, 2011	<u>343,807</u>	<u>-</u>	<u>501,228</u>	<u>-</u>	<u>172,120</u>	<u>147,701</u>	<u>925</u>	<u>1,165,781</u>
Balance at January 1, 2012	343,807	-	501,228	-	172,120	147,701	925	1,165,781
Amortization	113,522	-	240,464	-	52,960	38,204	80	445,230
Decrease	-	-	(16,478)	-	-	-	-	(16,478)
Reclassification	3,451	-	1,161	-	-	-	(920)	3,692
Derecognition	(3,222)	-	(422)	-	-	-	-	(3,644)
Cumulative translation adjustment	(96)	-	(386)	-	-	(6,091)	38	(6,535)
Balance at December 31, 2012	<u>457,462</u>	<u>-</u>	<u>725,567</u>	<u>-</u>	<u>225,080</u>	<u>179,814</u>	<u>123</u>	<u>1,588,046</u>
Book value								
Balance at January 1, 2011	<u>665,155</u>	<u>561,959</u>	<u>461,010</u>	<u>-</u>	<u>145,640</u>	<u>1,277,889</u>	<u>1,163</u>	<u>3,112,816</u>
Balance at December 31, 2011	<u>682,886</u>	<u>561,959</u>	<u>337,910</u>	<u>-</u>	<u>92,680</u>	<u>1,803,396</u>	<u>603</u>	<u>3,479,434</u>
Balance at January 1, 2012	<u>682,886</u>	<u>561,959</u>	<u>337,910</u>	<u>-</u>	<u>92,680</u>	<u>1,803,396</u>	<u>603</u>	<u>3,479,434</u>
Balance at December 31, 2012	<u>609,905</u>	<u>572,947</u>	<u>362,479</u>	<u>-</u>	<u>39,720</u>	<u>1,706,008</u>	<u>308</u>	<u>3,291,367</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(h) Deferred expenses and other assets

The components of deferred expenses and other assets as of December 31, 2011 and 2012 were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Restricted deposit (note 6)	672,499	1,388,807	47,666
Refundable deposits	210,702	303,588	10,419
Property for operating leases, net	191,713	230,219	7,902
Prepaid pension cost (note 4(l))	19,383	19,512	670
Idle assets	133,316	-	-
Deferred expenses and others	<u>1,361,057</u>	<u>214,462</u>	<u>7,361</u>
	<u>2,588,670</u>	<u>2,156,588</u>	<u>74,018</u>

(i) Short-term borrowings

Short-term borrowings as of December 31, 2011 and 2012 were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Unsecured bank loans	<u>55,987,148</u>	<u>76,326,950</u>	<u>2,619,678</u>

For the years ended December 31, 2011 and 2012, the average annual interest rates on short-term borrowings were 0.53% to 16.50% and 0.51% to 15.05%, respectively. Unused credit facilities for short-term borrowings as of December 31, 2011 and 2012, amounted to NT\$49,503,928 and NT\$76,131,715, respectively. The Consolidated Companies were not required to pay commitment fees on these facilities. Furthermore, the Consolidated Companies provided some assets as collateral for the above-mentioned credit facilities. Please refer to note 6 for the details of pledged assets related to these credit facilities.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(j) Bonds payable

The liability and equity components of the convertible bonds as of December 31, 2012, were as follows:

	2012	
	NT\$	US\$
Bonds payable		
Balance on issuance date (including discount of NT\$46,972 and transaction cost of NT\$110,841)	8,230,147	282,473
Unamortized bonds payable discount and transaction cost (amortization is recognized as interest expense)	172,740	5,929
Unrealized exchange gain on bonds payable	(225,903)	(7,754)
Exercise of conversion options	(11,649)	(400)
Repurchase of bonds	(148,235)	(5,087)
Balance as of December 31, 2012	8,017,100	275,161
Redemption options (financial assets at fair value through profit or loss)		
Balance on issuance date	3,355	115
Exercise of conversion options	(6)	-
Repurchase of bonds	(75)	(3)
Evaluation loss on redemption options of the convertible bonds	(2,474)	(85)
Balance as of December 31, 2012	800	27
Bond conversion options (Capital surplus)		
Balance on issuance date	50,328	1,727
Exercise of conversion options	(72)	(2)
Repurchase of bonds	(899)	(31)
Balance as of December 31, 2012 (note 4(n))	49,357	1,694

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The 2nd overseas convertible bonds

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

Bondholders may convert bonds into the Company's common shares at any time starting the 31st day from the issuance date until 10 days prior to the maturity date. As of December 31, 2012, the conversion price was NT\$44.05 per common share, with a fixed exchange rate of NT\$29.957 to US\$ 1, subject to adjustment by the formula provided under the issue terms if the Company's outstanding common shares are increased.

(vi) Redemption at the option of the Company

- A. At any time on or after July 19, 2013 and prior to the maturity date, the closing price (translated into U.S. dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 120% of the early redemption amount for 20 consecutive trading days.
- B. If more than 90% of the bonds has been redeemed, repurchased or converted;
- C. The change in the tax regulations of ROC causes the Company to become obliged to pay additional amounts in respect of taxes or expenses.

(vii) Redemption at Maturity

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

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(k) Long-term borrowings

The components of long-term borrowings as December 31, 2011 and 2012 were as follows:

Financial institutions	Repayment period	2011		2012		Interest rate (p.a.) (%)
		Amount NT\$	Interest rate (p.a.) (%)	Amount NT\$	US\$	
Yuanta Bank and 11 other banks	A three-year syndicated loan contacted on June 6, 2008 with 12 banks in Taiwan. This loan is payable in lump sum on maturity date if not refinanced before the payment date.	-	0.75%~0.83%	-	-	-
DBS Bank	A three-year mid-term loan contacted on April 1, 2011. This loan is payable in lump sum on maturity date if not refinanced before the payment date.	-	0.75%~1.10%	1,748,160	60,000	1.29%~1.34%
BNP Bank	A two-year mid-term loan contacted on August 18, 2011. This loan is payable in lump sum on maturity date if not refinanced before the payment date.	-	-	466,886	16,024	1.01%~1.70%
CDI Bank	A two-year mid-term loan contracted on April 22, 2010 and renewed the contract on May, 17, 2012. This loan is payable in lump sum on maturity date if not refinanced before the payment date.	-	-	1,399,264	48,025	1.63%~1.795%
Mizuho Corporate Bank	The loan agreement begins from November 1, 2010 to August 1, 2014, to repay JPY50,000,000 quarterly from November 1, 2012 and the remaining is payable in lump sum on maturity date.	468,480	0.94%	660,270	22,662	0.82%~0.94%
Mega Bank	The loan agreement begins from December 30, 2011 to January 4, 2017, to repay JPY 7,000,000 quarterly from December 31, 2012 and the remaining is payable in lump sum on maturity date .	46,848	0.82%	38,261	1,314	0.77%~0.82%
Less: Current portion		(22,253)		(684,086)	(23,479)	
		<u>493,075</u>		<u>3,628,755</u>	<u>124,546</u>	

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) As of December 31, 2011 and 2012, NT\$3,985,412 and NT\$385,270, respectively, of the long-term credit facility granted by financial institutions had not been used. The Company provided a US\$60,000, EUR20,000 and NT\$1,000,000 and US\$60,000, EUR20,000 and NT\$1,400,000, respectively, worth of promissory note as collateral for the syndicated loan credit facility but it is not required to pay any commitment fee thereon.

(2) The significant terms of the syndicated loan agreement entered into in 2008 are as follows:

Total credit facility: US\$300,000.

Bank syndicates:

(i) Lead bank and arranger: Yuanta Bank.

(ii) Other participating banks: Land Bank, Chang Hwa Bank, Taiwan Business Bank, Bank of Tokyo-Mitsubishi UFJ, Mizuho Corporate Bank, First Bank, Hua Nan Bank, Shanghai Commercial & Savings Bank, Cathay United Bank, E. Sun Bank and Industrial Bank of Taiwan.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT\$25,000,000.

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements audited or reviewed by independent auditors recognized by the lead bank and the arranger. As of June 6, 2011, the Company was in compliance with the financial covenants.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is immediately restricted. Without the consent of a majority of banks, the credit facility is no longer available to the Company. In addition, if the consent of a majority of banks is obtained, the arranger is eligible to act as follows:

- (i) To call part or all of the unused credit facility;
 - (ii) To inform the Company in writing that the loan is due immediately, and the principal with corresponding interest and penalty should be repaid to each bank;
 - (iii) To request payment from the Company by exercising the right derived from the promissory note;
 - (iv) To exercise the rights in accordance with the regulations, agreement, guarantee and other documents without further notifications. The Company has agreed to waive its rights for the abovementioned notifications from the bank syndicate.
- (3) The significant terms of the mid-term loan agreement with DBS Bank entered into in April 2011 are as follows:

Total credit facility: US\$60,000.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

- (i) Current ratio should not be lower than 100%.
- (ii) Loan to equity ratio should not be higher than 100%.
- (iii) Interest coverage ratio should not be lower than 400%.
- (iv) Total tangible net assets should not be lower than NT\$35,000,000.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements audited or reviewed by independent auditors recognized by DBS Bank. As of December 31, 2012, the Company was in compliance with the financial covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is immediately restricted. Without the consent of DBS Bank, the credit facility is no longer available to the Company.

- (4) The significant terms of the mid-term loan agreement with BNP Bank entered into in August 2011 are as follows:

Total credit facility: EUR20,000.

Credit category: mid-term loan.

Credit term: two years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

- (5) The significant terms of the mid-term loan agreement with CDI Bank entered into in May 2012 are as follows:

Total credit facility: NT\$1,400,000.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

- (i) Current ratio should not be lower than 100%.
- (ii) Loan to equity ratio should not be higher than 70%.
- (iii) Interest coverage ratio should not be lower than 300%.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements audited or audited by independent auditors recognized by CDI Bank. As of December 31, 2012, the Company was in compliance with the financial covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is immediately restricted. Without the consent of CDI Bank, the credit facility is no longer available to the Company. In addition, if the consent of CDI Bank is obtained, the arranger is eligible to act as follows:

- (iv) To call part or all of the unused credit facility;
 - (v) As the loan is due immediately, the principal with corresponding interest and penalty should be repaid;
 - (vi) To request payment from the Company by exercising the right derived from the promissory note;
 - (vii) To exercise the rights in accordance with the regulations, agreement, guarantee and other documents without further notifications. The Company has agreed to waive its rights for the above-mentioned notifications from the bank syndicate.
- (6) The significant terms of the mid-term loan agreement with Mizuho Corporate Bank entered into in November 2010 are as follows:

Total credit facility: JPY2,000,000.

Credit category: mid-term loan.

Credit term: four years from the date when the loan agreement is signed.

Repayment: To repay JPY 50,000 quarterly from November 1, 2012 and the balance is payable in lump sum on maturity date.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

- (i) Current ratio should not be lower than 100%.
 - (ii) Loan to equity ratio should not be higher than 100%.
 - (iii) Interest coverage ratio should not be lower than 400%.
 - (iv) Total tangible net assets should not be lower than NT\$25,000,000.
- (7) The significant terms of the mid-term loan agreement with Mega Bank entered into in December 2011 are as follows:

Total credit facility: JPY300,000.

Credit category: mid-term loan.

Credit term: five years from the date when the loan agreement is signed.

Repayment: To repay JPY 7,000 quarterly from December 31, 2012 and the balance of JPY 8,000 is payable on December 30, 2016.

- (8) As of December 31, 2012, the amounts of the borrowings were due as follows:

<u>Year due</u>	<u>Amount</u>	
	NT\$	US\$
2013.1.1~2013.12.31	684,086	23,479
2014.1.1~2014.12.31	2,490,191	85,468
2015.1.1~2015.12.31	1,128,745	38,741
2016.1.1~2016.12.31	9,819	337
	<u>4,312,841</u>	<u>148,025</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Accrued pension liabilities

(1) The following tables set forth the benefit obligation and net retirement plan assets (accrued pension liabilities) related to the Consolidated Companies' defined benefit retirement plans as of December 31, 2011 and 2012:

	2011	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT\$	NT\$
Benefit obligation:		
Vested benefit obligation	-	(320,933)
Non-vested benefit obligation	(3,785)	(673,825)
Accumulated benefit obligation	(3,785)	(994,758)
Projected compensation increases	(2,285)	(573,629)
Projected benefit obligation	(6,070)	(1,568,387)
Plan assets at fair value	23,725	879,165
Funded status	17,655	(689,222)
Unrecognized net loss	3,057	761,588
Unrecognized transition assets	(1,329)	(30,431)
Additional minimum pension liability	-	(178,336)
Net retirement plan assets / (Accrued pension liabilities)	19,383	(136,401)

	2012			
	Plan assets in excess of accumulated benefit obligation		Accumulated benefit obligation in excess of plan assets	
	NT\$	US\$	NT\$	US\$
Benefit obligation:				
Vested benefit obligation	-	-	(467,237)	(16,036)
Non-vested benefit obligation	(4,559)	(156)	(695,850)	(23,883)
Accumulated benefit obligation	(4,559)	(156)	(1,163,087)	(39,919)
Projected compensation increases	(2,648)	(91)	(641,795)	(22,028)
Projected benefit obligation	(7,207)	(247)	(1,804,882)	(61,947)
Plan assets at fair value	23,816	817	909,103	31,202
Funded status	16,609	570	(895,779)	(30,745)
Unrecognized net loss	4,065	140	943,095	32,368
Unrecognized transition assets	(1,162)	(40)	(27,516)	(944)
Additional minimum pension liability	-	-	(294,572)	(10,110)
Net retirement plan assets / (Accrued pension liabilities)	19,512	670	(274,772)	(9,431)

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) The components of the net periodic pension cost for 2011 and 2012 were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Service cost	36,036	26,346	904
Interest cost	25,748	31,313	1,075
Actual return on plan assets	(14,353)	(8,176)	(280)
Amortization and deferral	<u>28,537</u>	<u>18,856</u>	<u>647</u>
Net periodic pension cost	<u>75,968</u>	<u>68,339</u>	<u>2,346</u>

Significant actuarial assumptions used in the above calculations were as follows:

	<u>2011</u>	<u>2012</u>
Discount rate	1.75%~2.00%	1.75%
Rate of increase in future compensation levels	1.50%~3.00%	1.50%~3.00%
Expected long-term rate of return on plan assets	2.00%	1.75%

In 2011 and 2012, pension cost under the Defined Contribution Pension Plan was NT\$385,231 and NT\$430,483, respectively, of which NT\$51,383 and NT\$52,739 was yet to be deposited with the Bureau of Labor Insurance as of December 31, 2011 and 2012, respectively, and, therefore, was recorded under “accrued expenses and other current liabilities”.

(m) Income taxes

- (1) Each consolidated entity files its own separate income tax return.
- (2) The Company obtained government approval for tax exemption on certain products for 5 years, and the last year of tax exemption is 2014. WPH was also granted tax office approval to avail itself of a six-year income tax exemption for income related to the production of PDAs. The tax exemption is from July 2005 to July 2011, based on WPH’s compliance with certain criteria under the Philippines Tax Statutes. The tax exemption is eligible for a two-year extension upon expiration.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (3) The components of income tax expense for the years ended December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Current income tax expense	(1,593,834)	(1,991,442)	(68,350)
Deferred income tax expense	<u>(968,676)</u>	<u>(527,472)</u>	<u>(18,104)</u>
Income tax expense	<u>(2,562,510)</u>	<u>(2,518,914)</u>	<u>(86,454)</u>

- (4) The Company and its domestic consolidated subsidiaries is subject to income tax at the rate of 17% for the years ended December 31, 2011 and 2012. The estimated income tax calculated on pre-tax income at the Company's statutory income tax rate was reconciled with the income tax expense reported in the accompanying consolidated statements of income for the years ended December 31, 2011 and 2012, as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Estimated income tax calculated based on financial income before tax at statutory tax rate	(1,976,681)	(1,560,573)	(53,562)
Discrepancy caused by different tax rate applied to the Company's subsidiaries	(1,222,307)	(978,076)	(33,569)
10% surtax on undistributed earnings	(25,574)	(404,260)	(13,875)
Tax-exempt investment income	84,699	65,217	2,238
Investment tax credits	25,371	257,123	8,825
Gain on disposal of marketable securities not subject to income tax	10,378	6	-
Prior-period tax expense adjustment	(119,103)	(104,576)	(3,589)
Change in valuation allowance for deferred income tax assets	652,254	209,109	7,177
Others	8,453	(2,884)	(99)
Income tax expense	<u>(2,562,510)</u>	<u>(2,518,914)</u>	<u>(86,454)</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (5) The components of temporary timing differences between financial and tax basis and the related income tax effects which resulted in deferred income tax assets (liabilities) as of December 31, 2011 and 2012, were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Deferred income tax assets—current:			
Provision for inventory obsolescence	266,592	275,152	9,444
Unrealized warranty reserve	371,734	253,393	8,697
Unrealized inter-company profits	52,531	56,148	1,927
Unrealized sales discount	352,428	166,211	5,704
Accrued expenses	63,242	42,516	1,459
Unused investment tax credits	181,906	15,760	541
Loss carryforwards	2,362	44,306	1,521
Others	59,979	51,783	1,777
Less: valuation allowance	<u>(14,898)</u>	<u>(1,339)</u>	<u>(46)</u>
Net deferred income tax assets—current	<u>1,335,876</u>	<u>903,930</u>	<u>31,024</u>
Deferred income tax liabilities—current:			
Unrealized foreign exchange gain, net	(384,592)	(407,078)	(13,971)
Others	<u>(34,396)</u>	<u>(9,085)</u>	<u>(312)</u>
Deferred income tax liabilities—current	<u>(418,988)</u>	<u>(416,163)</u>	<u>(14,283)</u>
Deferred income tax assets—current, net	<u>916,888</u>	<u>487,767</u>	<u>16,741</u>
Deferred income tax assets—noncurrent:			
Long-term investment loss under equity method	275,726	397,086	13,629
Unused investment tax credits	119	-	-
Loss carryforwards	112,692	259,129	8,894
Impairment loss	562	-	-
Book-tax differences on the depreciation of property, plant and equipment	681,641	546,026	18,741
Others	22,983	36,978	1,269
Less: valuation allowance	<u>(406,770)</u>	<u>(211,220)</u>	<u>(7,249)</u>
Net deferred income tax assets—noncurrent	<u>686,953</u>	<u>1,027,999</u>	<u>35,284</u>
Deferred income tax liabilities—noncurrent:			
Long-term investment income under equity method	(2,963,540)	(3,375,081)	(115,839)
Unrealized gain on available-for-sale financial assets	(20,224)	(8,027)	(276)
Foreign currency translation adjustment	-	(1,219)	(42)
Others	<u>(7,877)</u>	<u>(32,156)</u>	<u>(1,104)</u>
Deferred income tax liabilities—noncurrent	<u>(2,991,641)</u>	<u>(3,416,483)</u>	<u>(117,261)</u>
Deferred income tax liabilities—noncurrent, net	<u>(2,304,688)</u>	<u>(2,388,484)</u>	<u>(81,977)</u>
The above deferred income tax assets (liabilities) were accounted for under below accounts:			
Deferred income tax assets—current	<u>916,888</u>	<u>487,767</u>	<u>16,741</u>
Deferred income tax assets—noncurrent	690,576	1,015,291	34,847
Deferred income tax liabilities—noncurrent	<u>(2,995,264)</u>	<u>(3,403,775)</u>	<u>(116,824)</u>
Deferred income tax liabilities—noncurrent, net	<u>(2,304,688)</u>	<u>(2,388,484)</u>	<u>(81,977)</u>
Total deferred income tax assets	<u>2,444,497</u>	<u>2,144,488</u>	<u>73,603</u>
Total deferred income tax liabilities	<u>(3,410,629)</u>	<u>(3,832,646)</u>	<u>(131,544)</u>
Total valuation allowance for deferred income tax assets	<u>(421,668)</u>	<u>(212,559)</u>	<u>(7,295)</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (6) The domestic consolidated entities were granted investment tax credits according to the Industrial Innovation Act which is effective December 31, 2009. Under this Act, this type of investment tax credit can be used to reduce up to a maximum of 30% of the income tax liability only in the year when such investment tax credit is granted. Also, the domestic consolidated entities were granted investment tax credits for investment in certain high-tech industries, for purchases of automatic machinery and equipment, and for expenditures incurred in research and development and employee training prior to January 1, 2010. These investment tax credits can be used to reduce the income tax liability over a period of 5 years. The amount of investment tax credit that can be used shall not exceed 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year.

As of December 31, 2012, unused investment tax credits available to the Consolidated Companies were as follows:

<u>Expiry year</u>	<u>Unused investment tax credits</u>	
	NT\$	US\$
2013	9,093	312
2014	<u>6,667</u>	<u>229</u>
	<u>15,760</u>	<u>541</u>

- (7) Loss carryforwards benefits available to the Consolidated Companies as of December 31, 2012, were as follows:

<u>Expiry year</u>	<u>Loss carryforwards</u>	
	NT\$	US\$
2013	30,000	1,030
2014	17,242	592
2015	13,211	453
2016	7,109	244
2017	172,190	5,910
2018	6,835	234
2019	-	-
2020	32	1
2021	19,135	657
2022	<u>37,681</u>	<u>1,293</u>
	<u>303,435</u>	<u>10,414</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Imputation credit account (ICA) and creditable ratio

As of December 31, 2011 and 2012, the undistributed earnings and balance of the ICA were as follows:

	2011	2012	
	NT\$	NT\$	US\$
Undistributed earnings, before January 1, 1998	-	-	-
Undistributed earnings, from January 1, 1998	<u>16,099,930</u>	<u>17,743,302</u>	<u>608,982</u>
	<u>16,099,930</u>	<u>17,743,302</u>	<u>608,982</u>
Balance of ICA	<u><u>987,761</u></u>	<u><u>553,859</u></u>	<u><u>19,009</u></u>
		<u>2011 (actual)</u>	<u>2012 (estimated)</u>
Creditable ratio for earnings distribution to domestic stockholders		<u><u>14.44%</u></u>	<u><u>7.89%</u></u>

(9) The ROC income tax authorities have examined the Company's income tax returns for all years through 2010. However, the Company is contesting the results of the tax authorities assessments for certain years and filed formal appeals for administrative remedies as follows:

- (i) For 2008, the tax authorities assessed the Company for additional income tax of NT\$45,907, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company filed a request with the tax authorities for re-examination of its 2008 income tax returns. The tax authorities have completed their re-examination and the results thereof disclosed that the Company is assessed additional income tax of NT\$57,297 for the year 2008. But the Company still disagreed with the tax authorities' re-assessment and filed a request again with the tax authorities for the second re-examination for the year 2008.
- (ii) The tax authorities assessed the Company for additional income tax of NT\$41,154 for the year 2009, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the tax authorities' assessment and filed a request with the tax authorities for re-examination of its 2009 income tax returns.

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WISTRON CORPORATION AND SUBSIDIARIES
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(iii) For 2010, the tax authorities assessed the Company for additional income tax of NT\$265,765, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities's assessment and filed a request with the tax authorities for re-examination of its 2010 income tax turns. As of December 31, 2012, the re-examination of the 2010 returns was still in process.

(n) Stockholders' equity

(1) Common stock

On June 22, 2011, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT\$984,339. As the Company acquired treasury stock and employee stock options were exercised, the ratio for the stock dividend to be distributed to shareholders was changed to 49.94 shares per thousand shares. Furthermore, the dividend distribution date was set on August 30, 2011, and the related registration processes had completed.

On June 21, 2012, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT\$1,039,279. The dividend distribution date was set on August 4, 2012, and the related registration processes had completed.

For the years ended December 31, 2011 and 2012, the Company issued 5,668,000 and 8,775,000 shares of stock, respectively, resulting from the exercise of employee stock options.

For the year ended December 31, 2012, the Company issued 243,000 shares of the Company's common stock, resulting from the exercise of bondholders' stock conversion options.

As of December 31, 2011 and 2012, the Company's authorized common stock both consisted of 3,000,000,000 shares with par value of NT\$10 per share, of which 2,084,997,000 shares and 2,197,943,000 shares, respectively, were issued and outstanding.

(2) Treasury stock

(i) For the years ended December 31, 2011 and 2012, in order to provide some incentives to employees, the Company acquired 17,474,000 shares of treasury stock, of which 1,901,000 shares and 2,016,000 shares were transferred to employees. Therefore, the Company was in possession of 15,573,000 shares and 15,458,000 shares of treasury stock as of December 31, 2011 and 2012, respectively.

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (ii) According to the Securities and Exchange Act, the number of treasury shares shall not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. Based on the Company's financial statements issued on April 12, 2010, the maximum number of Company shares that the Company was allowed to acquire was 187,027,000 shares, with a value not exceeding NT\$31,259,410. As of December 31, 2012, the maximum number of shares acquired was 17,474,000 shares, with total cost of NT\$878,940, which was below the ceiling set under the Securities and Exchange Act.
- (iii) According to the Company's articles of incorporation, retained earnings equal to the amount of treasury stock cannot be distributed as dividends.
- (iv) According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares held do not bear shareholder rights.
- (3) Employee stock option plan

On October 28, 2007, the Company's board of directors approved a resolution to issue 105,000,000 units of stock options, with the right for each unit to purchase one share of the Company's common stock. These options were fully issued on November 16, 2007. The major terms of the employee stock option plan were as follows:

- (i) Exercise price: NT\$61 (if there are some changes in common stock, this exercise price will be adjusted in accordance with the plan).
- (ii) Vesting periods:

The stock options are exercisable according to following schedule subsequent to the second anniversary of the grant date.

<u>Exercise period</u>	<u>Accumulated exercisable percentage</u>
2009/11/17	1/3
2010/11/17	2/3
2011/11/17	3/3

- (iii) Shares to be issued: new common share of stock.

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (iv) Exercise procedure: according to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares of stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on Interpretations 070 and 072 issued by the Accounting Research and Development Foundation on March 17, 2003.

- A. The Company adopted the intrinsic value method to recognize compensation cost. As there was no difference between the exercise price and market price, no compensation cost was recognized for the years ended December 31, 2011 and 2012.
- B. If the Company adopted the fair value method to recognize the compensation cost, the related information would be as follows:
- a. If the Company adopted the Black-Scholes option pricing model to estimate the fair value of the options on grant date, the estimated fair value of the options granted on November 16, 2007, would be NT\$17.2, and the related compensation cost, which should be recognized before November 2011, would be NT\$1,806,000, of which NT\$131,688 (NT\$117,173, net of tax) should have been recognized for the year ended December 31, 2011. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	2.39%
Expected volatility of stock price	32.23%
Risk-free interest rate	2.597%
Expected life of the option	7 years

- b. The information related to the employee stock option plan for the years ended December 31, 2011 and 2012, were as follows:

Stock options	2011		2012	
	Number of options (in thousands)	Weighted-average exercise price (NT\$)	Number of options (in thousands)	Weighted-average exercise price (NT\$)
Outstanding balance at the beginning of year	68,234	42.5	62,566	33.6
Options exercised	5,552	42.5	8,775	33.6
Options exercised	116	37.6	-	-
Outstanding balance at the end of year	<u>62,566</u>	37.6	<u>53,791</u>	33.6
Exercisable number at the end of year	<u>62,566</u>	37.6	<u>53,791</u>	33.6

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c. As of December 31, 2012, the outstanding and exercisable options were as follows:

<u>Range of exercise price</u> (NT\$)	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of options (in thousands)</u>	<u>Weighted-average remaining contractual life (years)</u>	<u>Weighted-average exercise price (NT\$)</u>	<u>Shares (in thousands)</u>	<u>Weighted-average exercise price (NT\$)</u>
\$ 33.6	53,791	1.87	33.6	53,791	33.6

WOC (formerly WOD)

WOC's (formerly WOD) board of directors approved a resolution to issue 500 units and 1,000 units of stock options on November 26 and December 25, 2007, respectively, with the right for each unit to purchase one thousand shares of WOC's common stock. Both of the above-mentioned stock options are valid for four years from resolution approval date. The major terms of these stock options were as follows:

- (i) Exercise price: NT\$10.6.
- (ii) Vesting period:

The options are exercisable subsequent to the first anniversary of the date of issuance.

- (iii) Shares to be issued: WOC's (formerly WOD) new common stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation.

- A. WOC (formerly WOD) adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, no compensation cost was recognized for the years ended December 31, 2011 and 2012.

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B. If WOC (formerly WOD) adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If WOC (formerly WOD) adopted the Black-Scholes option pricing model to estimate the fair value of each of the options on grant date, the estimated fair value of each of the options granted on November 26 and December 25, 2007, would be NT\$0, and the related compensation cost would be NT\$0. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	8.15%
Risk-free interest rate	2.42%
Expected life of the option	4 years

b. The information related to the employee stock option plan for the years ended December 31, 2011 and 2012 were as follows:

Stock options	2011		2012	
	Number of options (in thousands)	Weighted-average exercise price (NT\$)	Number of options (in thousands)	Weighted-average exercise price (NT\$)
Outstanding balance at the beginning of year	70	10.6	-	-
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(70)	10.6	-	-
Outstanding balance at the end of year	-	-	-	-
Exercisable number at the end of year	-	-	-	-

c. For the year ended December 31, 2011, the pro forma net income and earnings per share using the fair value method were as follows:

		2011
		NT\$
Net Income attributed to shareholders of parent company	Net income	9,065,028
	Pro forma net income	8,947,855
Basic EPS (after tax)	EPS	4.15
	Pro forma EPS	4.10
Diluted EPS (after tax)	EPS	4.06
	Pro forma EPS	4.01

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(4) Capital surplus

As of December 31, 2011 and 2012, the components of capital surplus were as follows:

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Paid-in capital derived from a premium on issuance of common stock in exchange for the net assets of the DMS business of AI	1,800,000	1,800,000	61,779
Paid-in capital derived from a premium on issuance of common shares for cash	17,279,276	17,530,750	601,687
Surplus arising from treasury stock transactions	2,206	2,981	102
Surplus arising from bonds conversion option	-	49,357	1,694
Surplus arising from long-term equity investments under equity method	84,764	87,703	3,010
Surplus arising from the exercise of employee stock option	65,921	65,434	2,246
	<u>19,232,167</u>	<u>19,536,225</u>	<u>670,518</u>

Pursuant to the amended ROC Company Law, which was published in January 2012, realized capital reserve shall be used initially to cover a deficit (or loss) of the company and the balance, if any, can be transferred to capital or distributed as cash dividends. This capital reserve includes the premium derived from the issuance of new shares and endowments received by the company. According to the Regulation Governing the Offering and Issuance of Securities by Securities Issuers, when capital reserve is capitalized, the combined amount of portions of capital reserve used to increase capital for each year may not exceed 10 percent of paid-in capital.

(5) Legal reserve, special reserve and unappropriated earnings

The Company's articles of incorporation stipulate that 10% of the balance of annual income after deducting accumulated deficit, if any, must be set aside as a legal reserve. The remaining balance, if any, must be distributed as follows:

- (i) At least 5% of the unappropriated earnings as employees' bonus. The employees eligible for the bonus include the employees of the Company's subsidiaries that meet certain criteria; the Company's board of directors determines the criteria;

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WISTRON CORPORATION AND SUBSIDIARIES
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- (ii) 1% of unappropriated earnings as directors' emoluments, distributable in cash; and
- (iii) the remainder, after retaining a portion for certain business considerations, as additional dividends to stockholders.

Pursuant to regulations promulgated by the Financial Supervisory Commission, and effective from the distribution of earnings for fiscal year 1999 onwards, a special reserve equal to the total amount of contra accounts that are accounted for as deductions to the stockholders' equity shall be set aside from current earnings, and not distributed. This special reserve shall be made available for appropriation when these contra accounts to stockholders' equity are reversed in subsequent periods.

According to the amended ROC Company Law, which was published in January 2012, a company shall first set aside 10 percent of its net income as legal reserve. Where the balance of such legal reserve reaches an amount that is equal to the paid-in capital, the appropriation to legal reserve is discontinued. Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting distribute its legal reserve by issuing new shares or by cash. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

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 10% of total distribution of dividends.

For the years ended December 31, 2011 and 2012, the Company had estimated and recognized employees' bonus amounting to NT\$1,091,127 (NT\$970,864, net of tax) and NT\$641,667 (NT\$526,295, net of tax), respectively, and directors' emoluments amounting to NT\$77,938 (NT\$69,348 net of tax) and NT\$58,333 (NT\$47,845 net of tax), respectively. Employees' bonus was estimated at 14% and 11% of the net income for the years ended December 31, 2011 and 2012, respectively. Directors' emoluments were likewise estimated at 1% of the net income for the years ended December 31, 2011 and 2012. Management is expecting that the difference between the amounts of employees' bonus and directors' and directors' and supervisors' emoluments approved in the shareholders meeting and those recognized in the financial statements, if any, will be accounted for as a change in accounting estimate and recognized in profit or loss in the following year. As of December 31, 2011 and 2012, the payables for employees' bonus and directors' emoluments amounted to NT\$1,169,065 and NT\$700,000, respectively. In addition, the number of shares distributable to employees as employees' bonus is determined based on the closing price (after considering the effect of dividends) on the day before the approval of stockholders.

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The appropriation of 2010 and 2011 earnings was approved at the shareholders' meeting on June 22, 2011 and June 21, 2012, respectively, as follows:

	2010	2011
	NT\$	NT\$
Cash dividends	6,299,770	4,572,826
Stock dividends to shareholders	984,339	1,039,279
	<u>7,284,109</u>	<u>5,612,105</u>
	2010	2011
	NT\$	NT\$
Employees' bonus—cash	1,475,232	1,087,480
Directors' emoluments	75,399	81,585
	<u>1,550,631</u>	<u>1,169,065</u>

For the years ended December 31, 2010 and 2011, the Company accrued and recognized employees' bonus amounting to NT\$1,477,831 and NT\$1,091,127, respectively, and directors' emoluments amounting to NT\$72,800 and NT\$77,938, respectively. The difference between the actual amounts of 2010 and 2011 earnings appropriated for employees' bonus and directors' emoluments as approved in the shareholders' meeting and those accrued in the financial statements was both NT\$0 in 2011 and 2012.

Appropriation of employees' bonus and directors' emoluments, and the related information can be obtained from the public information website.

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(o) Earnings per share (“EPS”)

For the years ended December 31, 2011 and 2012, the Company’s earnings per share were calculated as follows:

	2011				
	Amount		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	(after income tax)			NT\$	
	NT\$			NT\$	
Basic EPS—retroactively adjusted:					
Net income belonging to common shareholders of parent company	9,065,028		2,182,778	<u>4.15</u>	
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employees’ bonus	-		43,844		
Employee stock options	-		7,228		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	<u>9,065,028</u>		<u>2,233,850</u>	<u>4.06</u>	
	2012				
	Amount		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	(after income tax)			NT\$ US\$	
	NT\$ US\$			NT\$ US\$	
Basic EPS:					
Net income belonging to common shareholders of parent company	6,666,431	228,804	2,181,570	<u>3.06</u>	<u>0.11</u>
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employees’ bonus	-	-	37,110		
Employee stock options	-	-	1,740		
Convertible bonds	<u>166,529</u>	<u>5,716</u>	<u>190,192</u>		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	<u>6,832,960</u>	<u>234,520</u>	<u>2,410,612</u>	<u>2.83</u>	<u>0.10</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(p) Disclosure of financial instruments

- (1) The Consolidated Companies' non-derivative financial assets and liabilities include cash and cash equivalents, notes and accounts receivable/payable, accounts receivable from/payable to related parties, other financial assets, short-term borrowings, current portion of long-term borrowings, other receivables/payables and accrued expenses. As the carrying amounts of these financial instruments approximate fair value because of their short maturities, the book value method is considered to be a reasonable basis for assessing their fair value.

Except for the aforementioned financial assets and liabilities, as of December 31, 2011 and 2012, the carrying amounts and fair value of the other financial instruments were as follows:

	<u>2011</u>		<u>2012</u>			
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>amount</u>	<u>value</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
Financial assets:						
Financial assets carried at cost – noncurrent:						
Privately held stock	1,417,157	-	1,475,566	50,644	-	-
Financial liabilities:						
Bonds payable	-	-	-	-	8,017,100	275,161
Long-term borrowings	-	493,075	-	-	3,628,755	124,546

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- (i) If public price quote of financial assets at fair value through profit or loss and available-for-sale financial assets is available, then such quote is adopted as the fair value. If the market value is not available, a valuation method is used. The assumptions used in this valuation method are the same as those used by financial market traders when quoting their prices and are obtainable by the Consolidated Companies.
- (ii) Financial assets carried at cost-noncurrent: The consisted mostly of privately held stock, which is not traded in the public market, and fair value is impractical to assess.
- (iii) Bonds payable and long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Consolidated Companies' credit spread, the fair value of long-term borrowings is estimated to be close to their carrying value.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair values of financial assets and liabilities evaluated by the Consolidated Companies using public quote or a valuation method were as follows:

	2011		2012			
	Public quote value	Valuation method value	Public quote value		Valuation method value	
	NT\$	NT\$	NT\$	US\$	NT\$	US\$
Non-derivative financial instruments:						
Financial assets:						
Cash and cash equivalents	-	45,560,293	-	-	72,579,398	2,491,056
Notes and accounts receivable (including receivables from related parties)	-	116,008,953	-	-	93,712,249	3,216,373
Other receivable—related parties	-	30,353	-	-	3,065	105
Other financial assets—current	-	2,872,748	-	-	4,294,547	147,397
Available-for-sale financial assets—current:						
Bond fund	-	370	-	-	3,005	103
Available-for-sale financial assets—noncurrent:						
Publicly traded stock	1,747,815	-	1,632,817	56,041	-	-
Financial liabilities:						
Short-term borrowings	-	55,987,148	-	-	76,326,950	2,619,678
Current portion of long-term borrowings	-	22,253	-	-	684,086	23,479
Notes and accounts payable (including payables to related parties)	-	117,953,423	-	-	104,601,531	3,590,113
Other payable—related parties	-	82,508	-	-	47,432	1,628
Accrued expenses	-	11,287,802	-	-	10,068,134	345,556
Bond payable	-	-	-	-	8,017,100	275,161
Long-term borrowings	-	493,075	-	-	3,628,755	124,546
Derivative financial instruments:						
Financial assets:						
Foreign currency swap contract	-	4,235	-	-	5,984	206
Foreign currency forward contract	-	3,801	-	-	883	30
Redemption option of the convertible bonds	-	-	-	-	800	27
Financial liabilities:						
Foreign currency swap contract	-	1,128	-	-	14,098	484
Foreign currency forward contract	-	1,078	-	-	12,031	413

For the years ended December 31, 2011 and 2012, gain (loss) on the derivative contracts due to the change in fair market value amounted to NT\$88,905 and NT\$(27,469), respectively, which was accounted for under “evaluation gain (loss) on financial instruments”.

(2) Disclosure of financial risks

(i) Market risk

The bond fund and part of publicly traded stock held by the Consolidated Companies were classified as available-for-sale financial assets and were evaluated at fair value. Therefore, the Consolidated Companies are exposed to the risk of price fluctuation thereon.

As of December 31, 2011 and 2012, the bonds payable with exposure to the risk from fluctuations in interest rates amounted to NT\$0 and NT\$8,017,100, respectively.

As sales and purchase transactions are denominated in US dollars, the Consolidated Companies' foreign currency assets and liabilities are exposed to exchange rate fluctuation risk. To manage such risk, the Consolidated Companies entered into foreign currency

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

forward contracts and foreign currency swap contracts. The terms of the contracts are in line with the payment date and anticipated cash outflows of the Consolidated Companies' foreign currency assets and liabilities. As the gain or loss from exchange rate fluctuation is expected to be offset by those of the hedged assets and liabilities, the market risk related to the changes in exchange rates is not considered significant.

The significant foreign currency financial assets and liabilities were as follows:

	2011			2012		
	Foreign currency	Rate	NT\$	Foreign currency	Rate	NT\$
Financial assets						
<u>Monetary items</u>						
USD	4,746,922	30.2900	143,784,260	4,669,296	29.136	136,044,618
EUR	76,152	39.2710	2,990,554	2,118	38.5586	81,665
JPY	636,404	0.3904	248,452	660,443	0.3386	223,626
HKD	16,500	3.8973	64,304	13,120	3.7587	49,315
GBP	879	46.7435	41,088	739	46.9468	34,707
AUD	-	-	-	503	30.2577	15,217
CZK	3,757	1.5273	5,737	726,404	1.5405	1,119,025
PHP	6,927	0.6917	4,791	12,626	0.7098	8,962
SGD	133	23.3126	3,095	-	-	-
INR	30,852	0.5715	17,632	1,245,710	0.5319	662,593
CNY	3,092,060	4.7936	14,822,097	3,411,190	4.6761	15,951,068
MXN	17,655	2.1620	38,170	17,921	2.2462	40,254
PLN	-	-	-	95	9.4853	905
BRL	2,272	16.2395	36,896	6,279	14.267	89,582
COP	-	-	-	817,409	0.0164	13,406
TRY	-	-	-	22	16.2716	366
MYR	11,077	9.5372	105,643	5,267	9.5122	50,101
<u>Long-term equity investment under equity method</u>						
USD	61,167	30.2900	1,852,752	60,088	29.136	1,750,737
SGD	8,816	23.3126	205,530	8,365	23.8351	199,378
CNY	1,656	4.7936	7,937	1,766	4.6761	8,256
MYR	9,899	9.5372	94,407	9,897	9.5122	94,143
Financial liabilities						
<u>Monetary items</u>						
USD	5,514,996	30.2900	167,049,228	6,346,781	29.136	184,919,800
EUR	32,299	39.2710	1,268,413	5,634	38.5586	217,228
JPY	1,964,420	0.3904	766,910	4,098,772	0.3386	1,387,844
HKD	6,120	3.8973	23,850	7,373	3.7587	27,711
CAD	-	-	-	29	29.3001	855
CZK	16,995	1.5273	25,956	3,004	1.5405	4,627
SGD	24	23.3126	566	23	23.8351	553
CNY	241,882	4.7936	1,159,488	1,103,381	4.6761	5,159,520
GBP	70	46.7435	3,269	56	46.9468	2,629
BRL	2,153	16.2395	34,972	12,500	14.267	178,338
AUD	227	30.6898	6,964	133	30.2577	4,035
PHP	-	-	-	2,424	0.7098	1,720
TRY	-	-	-	57	16.2716	928
INR	5,653	0.5715	3,231	3,348	0.5319	1,781
PLN	369	8.8981	3,285	-	-	-
MXN	18,784	2.1620	40,612	15,063	2.2462	33,834
COP	80,156	0.0159	1,274	-	-	-

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Concentrations of credit risk

The Consolidated Companies' majority customers are in high-tech industries. To reduce concentration of credit risk, the Consolidated Companies evaluate customers' financial positions periodically and require customers to provide collateral or promissory notes, if necessary. In addition, the Consolidated Companies evaluate the aging of accounts receivable periodically and accrue allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation. As of December 31, 2011 and 2012, 81% and 72% of the Consolidated Companies' accounts receivable were concentrated on five specific customers, respectively. Accordingly, concentrations of credit risk exist.

(iii) Liquidity risk

The Consolidated Companies' capital and operating funds appear to be sufficient to meet all obligations. Therefore, the Consolidated Companies' management believe that they do not have any significant exposure to liquidity risk.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term and long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. The changes in effective rates along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately NT\$1,178,866.

(3) Risk management

The Consolidated Companies' assets and liabilities denominated in foreign currency may fluctuate along with the fluctuation of exchange rates. Therefore, the Consolidated Companies entered into derivative contracts such as foreign currency forward contracts and foreign currency swap contracts to manage the exchange rate fluctuation risk.

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

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Transactions with Related Parties

- (a) The names and relationships of the related parties with which the Consolidated Companies had significant transactions were as follows:

Name	Relationship
Wistron NeWeb Corporation (“WNC”)	Investee of the Consolidated Companies accounted for by equity method
Wistron Information Technology and Services Corporation (“WITS”)	Investee of the Consolidated Companies accounted for by equity method
Hsieh Yuh Technology Co., Ltd. (“HYBVI”)	Investee of the Consolidated Companies accounted for by equity method
Mindforce Holdings Limited (“MHL”)	Investee of the Consolidated Companies accounted for by equity method
AOpen Inc. (“AOI”)	Investee of the Consolidated Companies accounted for by equity method
Super Elite Ltd. (“Super Elite”)	Investee of the Consolidated Companies accounted for by equity method
WiseOps Co., Limited (“WOHK”)	Investee of the Consolidated Companies accounted for by equity method
HIGH-TEK HARNESS ENTERPRISE CO., LTD (“HTK”)	Investee of the Consolidated Companies accounted for as available-for-sale financial assets
Xserve India (Pvt.) Ltd. (“XID”)	Investee of the Consolidated Companies
Acer Incorporated (“AI”)	Primary stockholder of the Company (note)
Fullerton Ltd. (“FLT”)	Subsidiary of MHL
WIS Percision (KunShan) Co., Ltd. (“WPKS”)	Subsidiary of MHL
LIAN-YI (FAR EAST) Ltd. (“LYF”)	Subsidiary of FLT
LIAN-YI PRECISION (ZHONGSHAN) INC. (“LYZ”)	Subsidiary of FLT
Wistron Information Technology and Services Inc. (“WIBI”)	Subsidiary of WITS
Wistron Information Technology and Service (Beijing) Inc. (“WIBJ”)	Subsidiary of WIBI
AOpen Technology Asia Pacific Taiwan Co., Ltd. (“AOAT”)	Subsidiary of AOI
T-CONN PRECISION CORPORATION (“TPE”)	Subsidiary of Super Elite
Acer Service Corporation (“ASC”)	Subsidiary of AI (note)
Acer Computer B.V. (“ACH”)	Subsidiary of AI (note)
Acer Computer (Shanghai) Ltd. (“ACCN”)	Subsidiary of AI (note)
Acer America Corp. (“AAC”)	Subsidiary of AI (note)
ESPLEX Limited (“AEX”)	Subsidiary of AI (note)
Acer Europe AG (“AEG”)	Subsidiary of AI (note)
Asplex Sp. z o.o. (“APX”)	Subsidiary of AI (note)
HighPoint Service Network Sdn Bhd. (“HSN”)	Subsidiary of AI (note)
WNC (KunShan) Corporation (“NQJ”)	Subsidiary of WNC
Webcom Communication (KunShan) Corporation (“NYC”)	Subsidiary of WNC
HIGH-TEK ENTERPRISE (KUNSHAN) CO., LTD. (“HTKS”)	Subsidiary of HTK
Wistron Foundation	The same chairman
All directors, general manager and vice general manager	Main management of the Company

(note) During their meeting on June 21, 2012, the shareholders elected new set of members of the board of directors but AI was not elected. Thereafter, AI and its subsidiaries ceased to be the Company’s related parties.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Significant transactions with related parties for the years ended December 31, 2011 and 2012 were as follows:

(1) Sales

	2011		2012		
	Amount	% of net sales	Amount		% of net sales
	NT\$		NT\$	US\$	
AI	75,919,310	12	34,943,088	1,199,310	5
WOHK	-	-	1,074,989	36,896	1
AEG	7,353,378	1	895,396	30,732	-
APX	202,503	-	111,426	3,824	-
HSN	119,809	-	70,200	2,409	-
ACCN	155,081	-	62,658	2,151	-
ASC	104,164	-	32,908	1,129	-
Others	137,205	-	124,316	4,266	-
	<u>83,991,450</u>	<u>13</u>	<u>37,314,981</u>	<u>1,280,717</u>	<u>6</u>

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers. Trading terms of sales transactions with third parties require payment within 60 to 90 days after the shipment of goods for the years ended December 31, 2011 and 2012.

(2) Purchases

	2011		2012		
	Amount	% of net purchases	Amount		% of net purchases
	NT\$		NT\$	US\$	
AI	59,158,681	10	26,836,311	921,071	5
WPKS	5,173,691	1	4,413,643	151,484	1
LYZ	572,585	-	1,130,062	38,786	-
WOHK	-	-	1,104,376	37,904	-
FLT	2,160,521	-	860,731	29,542	-
HTKS	755,764	-	772,182	26,503	-
TPE	471,166	-	653,716	22,437	-
NYC	157,027	-	269,907	9,264	-
WNC	97,814	-	100,919	3,464	-
NYBVI	119,566	-	56,860	1,952	-
AEG	942,145	-	14,301	491	-
Others	46,860	-	1,781	59	-
	<u>69,655,820</u>	<u>11</u>	<u>36,214,789</u>	<u>1,242,957</u>	<u>6</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(3) Notes and accounts receivable/payable as of December 31, 2011 and 2012, were as follows:

	2011		2012		
	Amount	%	Amount		%
	NT\$		NT\$	US\$	
Notes and accounts receivable from:					
WOHK	-	-	277,601	9,528	-
NQJ	-	-	25,967	891	-
FLT	14,027	-	14,568	500	-
AI	22,757,762	20	-	-	-
AEG	987,022	1	-	-	-
APX	54,379	-	-	-	-
HSN	40,098	-	-	-	-
ASC	32,752	-	-	-	-
ACCN	22,855	-	-	-	-
Others	15,606	-	85	3	-
	<u>23,924,501</u>	<u>21</u>	<u>318,221</u>	<u>10,922</u>	<u>-</u>

	2011		2012		
	Amount	%	Amount		%
	NT\$		NT\$	US\$	
Notes and accounts payable to:					
WPKS	1,665,043	2	986,082	33,844	1
LYZ	637,685	1	387,861	13,312	1
HTKS	385,286	-	334,814	11,491	1
WOHK	-	-	301,764	10,357	-
TPE	251,054	-	252,885	8,679	-
FLT	232,444	-	158,108	5,427	-
NYC	63,517	-	130,886	4,492	-
NYBVI	91,130	-	84,237	2,891	-
WNC	21,422	-	72,789	2,498	-
AI	16,442,504	14	-	-	-
AEG	10,275	-	-	-	-
Others	11,908	-	11,847	408	-
	<u>19,812,268</u>	<u>17</u>	<u>2,721,273</u>	<u>93,399</u>	<u>3</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Rental expense

For the year ended December 31, 2011 and the six-month period ended June 30, 2012, the Consolidated Companies had an operating lease contract with AI for the lease of office space in Taipei. Rental expense incurred by the Consolidated Companies from this lease contract amounted to NT\$39,530 and NT\$19,765, respectively. As of December 31, 2011, the rent payable amounted to NT\$2,136, which was accounted for under “other payable – related parties”.

(5) Rental income

For the year ended December 31, 2011, the Consolidated Companies leased their apartments and office buildings to WNC and AOAT. For the year ended December 31, 2012, the Consolidated Companies leased their office buildings to AOAT. The rental income amounted to NT\$988 and NT\$34 for the years ended December 31, 2011 and 2012, respectively. As of December 31, 2011 and 2012, the rental receivables amounted to NT\$0 and NT\$9, respectively.

(6) Property transactions

Prior to the merger of Wistron Nexus Incorporated (“WNI”) with WNC, WNI sold a factory building to WNC and recognized an unrealized disposal gain thereon of NT\$56,866. As of December 31, 2011 and 2012, unrealized disposal gain of NT\$46,063 and NT\$44,924, respectively, was recognized as “deferred credits of long-term equity investments”.

The Consolidated Companies purchased property, plant and equipment from FLT for NT\$166,382 and NT\$175,924 for the years ended December 31, 2011 and 2012, respectively. As of December 31, 2011 and 2012, other payables arising from the transactions amounted to NT\$65,054 and NT\$46,737, respectively, which were accounted for under “other payable – related parties”.

For the year ended December 31, 2011, the Consolidated Companies sold property, plant and equipment to WNC and FLT for NT\$1, and the receivables arising from these sales had been collected as of December 31, 2011. No disposal transactions were incurred during the year ended December 31, 2012.

During the year ended December 31, 2012, the Company sold its shareholdings in Hong Kong Comteck Electronics Co., Limited to Super Elite at book value of NT\$32,639. Therefore, no gain or loss was incurred thereon.

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WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties. As of December 31, 2011 and 2012, the related outstanding receivables, accounted for as advances to related parties, were as follows:

	2011	2012	
	NT\$	NT\$	US\$
WNC	-	2,605	89
AAC	25,956	-	-
Others	<u>4,441</u>	<u>495</u>	<u>17</u>
	<u>30,397</u>	<u>3,100</u>	<u>106</u>

(8) Advances from related parties

Related parties paid certain expenses on behalf of the Consolidated Companies, including warranty expenses, traveling expenses, and salaries for overseas employees. As of December 31, 2011 and 2012, the related outstanding payables, accounted for as advances from related parties, were as follows:

	2011	2012	
	NT\$	NT\$	US\$
WITS	-	580	20
FLT	7,392	17	1
Others	<u>7,926</u>	<u>98</u>	<u>3</u>
	<u>15,318</u>	<u>695</u>	<u>24</u>

(9) Others

For the years ended December 31, 2011 and 2012, the Consolidated Companies contributed NT\$16,800 and NT\$11,030, respectively, to Wistron Foundation, which were accounted for under “operating expenses-contribution”.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Related-party receivables

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

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Notes and accounts receivable related parties, net:			
Notes and accounts receivable	23,924,501	318,221	10,922
Less: Accounts receivable factored – AI (note 4(c))	<u>(10,672,919)</u>	<u>-</u>	<u>-</u>
	<u>13,251,582</u>	<u>318,221</u>	<u>10,922</u>
Other receivable – related parties:			
Rental receivable	-	9	-
Advances to related parties	30,397	3,100	106
Less: long-term equity investment credits (note 4(e))	<u>(44)</u>	<u>(44)</u>	<u>(1)</u>
	<u>30,353</u>	<u>3,065</u>	<u>105</u>

(11) Related-party payables

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

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$
Notes and accounts payable – related parties:			
Notes and accounts payable	<u>19,812,268</u>	<u>2,721,273</u>	<u>93,399</u>
Other payable – related parties:			
Payable on purchase of property, plant and equipment	65,054	46,737	1,604
Rental payable	2,136	-	-
Advances from related parties	<u>15,318</u>	<u>695</u>	<u>24</u>
	<u>82,508</u>	<u>47,432</u>	<u>1,628</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Key management compensation

For the years ended December 31, 2011 and 2012, the compensation of the Consolidated Companies' key management were as follows:

	<u>2011</u>	<u>2012</u>	
	<u>Amount</u>	<u>Amount</u>	
	NT\$	NT\$	US\$
Salaries	124,108	95,556	3,280
Cash awards and special allowances	16,646	16,452	565
Transportation allowances	400	700	24
Employees' bonus	141,195	75,700	2,598

For the details of the above amounts, including estimated employees' bonus and directors' emoluments, please see note 4(n).

6. Pledged Assets

As of, 2011 and 2012, details of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>Book value</u>		
		<u>2011</u>	<u>2012</u>	
		NT\$	NT\$	US\$
Property, plant and equipment	Line of credit			
— land and building		476,185	410,638	14,094
Other assets — restricted deposit	Standby LC	1,964	1,982	68
Other assets — restricted deposit	Customs guarantee	670,535	-	-
Other assets — restricted deposit	Customs guarantee	-	45,784	1,571
Other assets — restricted deposit	Short of credit	-	1,341,041	46,027
		<u>1,148,684</u>	<u>1,799,445</u>	<u>61,760</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Significant Commitments and Contingencies

- (a) As of December 31, 2012, the Consolidated Companies had operating lease contracts for office premises, with future rental commitments as follows:

<u>Period</u>	<u>Amount</u>	
	NT\$	US\$
2013	308,473	10,587
2014	286,259	9,825
2015	247,697	8,501
2016	224,036	7,689
2017	189,286	6,497
2018 and thereafter	<u>671,197</u>	<u>23,037</u>
	<u>1,926,948</u>	<u>66,136</u>

- (b) As of December 31, 2011 and 2012, the Consolidated Companies had provided promissory notes, as collateral for factored accounts receivable and long-term borrowings. Please see notes 4(c) and 4(k) for details.

8. Significant Casualty Loss: None.

9. Significant Subsequent Events: None.

10. Other

- (a) Total personnel, depreciation, and amortization expenses incurred, categorized by function, for the years ended December 31, 2011 and 2012, were as follows:

	<u>2011</u>			<u>2012</u>					
	<u>Cost of sales</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Cost of sales</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Cost of sales</u>	<u>Operating expenses</u>	<u>Total</u>
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	US\$	US\$
Personnel expenses									
Salaries	6,962,606	6,679,359	13,641,965	7,958,276	6,601,944	14,560,220	273,142	226,591	499,733
Labor and health insurance	448,417	452,984	901,401	651,345	561,253	1,212,598	22,355	19,263	41,618
Pension	139,186	322,013	461,199	178,811	320,011	498,822	6,137	10,983	17,120
Others	3,005,132	428,708	3,433,840	3,189,847	552,091	3,741,938	109,481	18,949	128,430
Depreciation	2,771,835	2,131,358	4,903,193	3,381,444	2,673,213	6,054,657	116,057	91,750	207,807
Amortization	562,546	657,703	1,220,249	303,459	434,825	738,284	10,415	14,924	25,339

- (note) For the years ended December 31, 2011 and 2012, the depreciation of property being leased to others under operating lease amounted to NT\$3,420 and NT\$5,999, and the depreciation of idle assets amounted to NT\$47,408 and NT\$44,699, respectively, which were accounted for under "other loss".

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Reclassification

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the presentation adopted in the 2012 consolidated financial statements for comparison purpose. These reclassifications do not have a significant impact on the consolidated financial statements

11. Segment Information

(a) General information

The major activities of the Consolidated Companies are the design, manufacture and sale of information technology products. The chief operating decision maker of the Consolidated Companies 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 Consolidated Companies.

(b) The Consolidated Companies' operations by operating segment for the years ended December 31, 2011 and 2012, were as follows:

	2011			
	<u>R&D and Manufacturing</u> NT\$	<u>Others</u> NT\$	<u>Eliminations</u> NT\$	<u>Total</u> NT\$
Revenues from external customers	\$ 646,565,825	11,800,860	-	658,366,685
Segment revenues	3,148,436	-	(3,148,436)	-
Total revenues	\$ 649,714,261	11,800,860	(3,148,436)	658,366,685
Segment profit	\$ 9,802,569	779,058	1,045,911	11,627,538
Accounts receivable	\$ 100,528,544	2,228,827		102,757,371
Inventories	36,706,437	2,691,894		39,398,331
Segment identifiable assets	\$ 137,234,981	4,920,721		142,155,702
General assets				112,342,695
Total assets				\$ 254,498,397
Accounts payable	\$ 112,468,589	5,484,834		117,953,423
Segment identifiable liabilities	\$ 112,468,589	5,484,834		117,953,423
Generally liabilities				74,995,203
Total liabilities				\$ 192,948,626

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2012			Total NT\$
	R&D and Manufacturing NT\$	Others NT\$	Eliminations NT\$	
Revenues from external customers	\$ 643,678,186	14,166,428	-	657,844,614
Segment revenues	<u>6,572,409</u>	<u>639,987</u>	<u>(7,212,396)</u>	-
Total revenues	\$ <u>650,250,595</u>	<u>14,806,415</u>	<u>(7,212,396)</u>	<u>657,844,614</u>
Segment profit	\$ <u>7,499,452</u>	<u>721,081</u>	<u>959,308</u>	<u>9,179,841</u>
Accounts receivable	\$ 90,729,765	2,664,263		93,394,028
Inventories	<u>41,934,915</u>	<u>4,299,305</u>		<u>46,234,220</u>
Segment identifiable assets	\$ <u>132,664,680</u>	<u>6,963,568</u>		<u>139,628,248</u>
General assets				<u>132,843,811</u>
Total assets				\$ <u>272,472,059</u>
Accounts payable	\$ <u>100,407,010</u>	<u>4,194,521</u>		<u>104,601,531</u>
Segment identifiable liabilities	\$ <u>100,407,010</u>	<u>4,194,521</u>		<u>104,601,531</u>
Generally liabilities				<u>105,872,457</u>
Total liabilities				\$ <u>210,473,988</u>

(c) Entity integral information

(1) Production information

Revenues from external customers:

	2011	2012	
	NT\$	NT\$	US\$
3C Electronic Products	\$ 646,565,825	643,678,186	22,092,195
Other Products	<u>11,800,860</u>	<u>14,166,428</u>	<u>486,217</u>
Total	\$ <u>658,366,685</u>	<u>657,844,614</u>	<u>22,578,412</u>

(2) Geographic information

The revenues from external customers are categorized by the area of the collection of the account receivables and the noncurrent assets are categorized by the area the assets located.

Revenues from external customers:

	2011	2012	
	NT\$	NT\$	US\$
Taiwan	\$ 459,675,485	463,887,237	15,921,445
Asia	110,175,736	116,498,979	3,998,455
Others	<u>88,515,464</u>	<u>77,458,398</u>	<u>2,658,512</u>
Total	\$ <u>658,366,685</u>	<u>657,844,614</u>	<u>22,578,412</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Noncurrent assets

	<u>2011</u>		<u>2012</u>	
	NT\$		NT\$	US\$
Taiwan	\$ 9,740,164		9,691,387	332,626
Asia	23,236,460		28,193,284	967,644
Others	<u>4,060,561</u>		<u>4,168,912</u>	<u>143,085</u>
Total	<u>\$ 37,037,185</u>		<u>42,053,583</u>	<u>1,443,355</u>

The noncurrent assets are the noncurrent assets excluding financial assets, deferred income tax assets and goodwill.

(d) Significant customer information

For the years ended December 31, 2011 and 2012, sales to customers representing greater than 10% of net revenue were as follows:

<u>Customer</u>	<u>2011</u>		<u>2012</u>		<u>Percentage of net revenue</u>
	<u>Net revenue NT\$</u>	<u>Percentage of net revenue</u>	<u>Net revenue NT\$</u>	<u>US\$</u>	
Customer H	189,350,705	29	166,112,674	5,701,286	25
Customer B	143,360,445	22	164,539,254	5,647,284	25
AI	75,919,310	12	74,354,031	2,551,964	11
Customer D	42,491,821	6	66,490,433	2,282,071	10

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