

(English Translation of Financial Report Originally Issued in Chinese)
WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 AND 2014
(With Independent Auditors' Report Thereon)



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Review Report

The Board of Directors
Wistron Corporation:

We have reviewed the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of June 30 and December 31, 2013, and June 30, 2014, the related consolidated statements of comprehensive income, for the three-month periods and six-month periods ended June 30, 2013 and 2014, and the related consolidated statements of change in equity and cash flows for the six-month periods ended June 30, 2013 and 2014. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Republic of China (R.O.C.) Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No.34 "Interim Financial Reporting", which are endorsed by the Financial Supervisory Commissions, R.O.C.



In accordance with the generally accepted auditing standards and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” in the Republic of China, we have previously audited the consolidated financial statements of the Company and its subsidiaries, which comprised the consolidated financial statements as of and for the year ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 25, 2014, we expressed an unqualified audit opinion on those consolidated financial statements. Based on the opinion dated March 25, 2014, the information set forth in the accompanying consolidated statement of financial position as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "KPMG".

Taipei, Taiwan (the Republic of China)
August 13, 2014

Note to Readers

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

(English Translation of Financial Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2013 and 2014

WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30 and December 31, 2013, and June 30, 2014
(amounts expressed in thousands of New Taiwan Dollars)

	June 30, 2013	December 31, 2013	June 30, 2014		June 30, 2013	December 31, 2013	June 30, 2014
Assets				Liabilities and Equity			
Current assets:				Current liabilities:			
Cash and cash equivalents (note 6(a))	\$ 55,307,107	70,086,875	66,057,258	Short-term borrowings (note 6(i))	\$ 69,492,519	54,552,893	59,731,118
Financial assets at fair value through profit or loss—current (note 6(b))	47,134	824,030	317,630	Financial liabilities at fair value through profit or loss—current (note 6(b))	18,100	415,698	394,273
Available-for-sale financial assets—current (note 6(b))	23,564	26,513	22,508	Notes and accounts payable	97,051,109	91,553,094	88,731,195
Notes and accounts receivable, net (note 6(c))	90,758,906	85,352,992	76,330,997	Accounts payable—related parties (note 7)	3,412,287	3,904,358	2,822,608
Accounts receivable—related parties (note 7)	1,230,985	711,319	452,083	Other payables—related parties (note 7)	10,538	88,093	65,289
Other receivables—related parties (note 7)	15,702	7,251	10,935	Provisions (note 6(j))	1,812,577	1,859,245	2,045,977
Current tax assets	686,275	372,748	426,502	Current portion of bonds payable(note 6(i))	-	-	8,265,155
Inventories (note 6(d))	59,810,297	49,985,441	58,135,816	Current portion of long-term borrowings (notes 6(i) and 8)	2,016,649	2,519,619	1,365,561
Other assets—current (notes 6(c)(h))	<u>8,592,080</u>	<u>8,939,253</u>	<u>9,678,110</u>	Other liabilities—current	<u>15,866,358</u>	<u>13,455,939</u>	<u>18,064,927</u>
Total current assets	<u>216,472,050</u>	<u>216,306,422</u>	<u>211,431,839</u>	Current liabilities	<u>189,680,137</u>	<u>168,348,939</u>	<u>181,486,103</u>
Non-current assets:				Non-current liabilities:			
Available-for-sale financial assets—noncurrent (note 6(b))	1,852,011	1,870,437	2,315,950	Financial liabilities at fair value through profit or loss—noncurrent (note 6(b))	107,522	22,205	-
Financial assets carried at cost—noncurrent (note 6(b))	727,035	700,525	901,341	Bonds payable (note 6(i))	7,730,436	7,972,109	-
Equity-accounted investees (note 6(e))	5,267,058	5,476,999	5,710,016	Long-term borrowings (notes 6(i) and 8)	3,044,584	20,368,292	13,928,252
Property, plant and equipment (notes 6(f), 7and 8)	35,594,954	35,928,027	35,776,324	Deferred tax liabilities	4,254,348	4,785,164	4,726,163
Intangible assets (note 6(g))	1,653,352	1,677,975	1,620,363	Other liabilities—noncurrent	<u>1,816,700</u>	<u>2,849,047</u>	<u>2,800,472</u>
Deferred tax assets	3,041,867	3,161,830	3,193,014	Non-current liabilities	<u>16,953,590</u>	<u>35,996,817</u>	<u>21,454,887</u>
Other assets—noncurrent (notes 6(h) and 8)	<u>5,576,903</u>	<u>5,419,559</u>	<u>5,724,743</u>	Total liabilities	<u>206,633,727</u>	<u>204,345,756</u>	<u>202,940,990</u>
Total non-current assets	53,713,180	54,235,352	55,241,751	Equity (notes 6(m)(n))			
				Capital stock	21,979,692	23,781,603	23,781,603
				Undistributed stock dividends	<u>1,091,255</u>	<u>-</u>	<u>475,632</u>
				Total stock	<u>23,070,947</u>	<u>23,781,603</u>	<u>24,257,235</u>
				Capital surplus	19,403,919	19,651,679	19,676,531
				Retained earnings	24,211,303	26,072,342	22,874,562
				Other equity	(2,367,041)	(3,318,675)	(3,223,261)
				Treasury stock	<u>(777,535)</u>	<u>-</u>	<u>-</u>
				Equity attributable to owners of the Company	<u>63,541,593</u>	<u>66,186,949</u>	<u>63,585,067</u>
				Non-controlling interests	<u>9,910</u>	<u>9,069</u>	<u>147,533</u>
				Total equity	<u>63,551,503</u>	<u>66,196,018</u>	<u>63,732,600</u>
Total assets	<u>\$ 270,185,230</u>	<u>270,541,774</u>	<u>266,673,590</u>	Total equity and liabilities	<u>\$ 270,185,230</u>	<u>270,541,774</u>	<u>266,673,590</u>

See accompanying notes to consolidated financial statements.

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WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS AND SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2014
(amounts expressed in thousands of New Taiwan Dollars, except for earnings per common share)

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Net revenues (notes 6(q) and 7)	\$ 321,146,113	261,703,198	162,950,452	135,884,930
Cost of sales (notes 6(d) (j) (l) (n), 7 and 12)	<u>306,332,583</u>	<u>246,613,943</u>	<u>156,194,333</u>	<u>127,345,671</u>
Gross profit	<u>14,813,530</u>	<u>15,089,255</u>	<u>6,756,119</u>	<u>8,539,259</u>
Operating expenses (notes 6(c) (l) (n), 7 and 12)				
Selling	4,154,104	5,682,520	1,457,992	3,023,690
Administrative	998,363	1,130,681	518,962	585,425
Research and development	<u>6,294,709</u>	<u>6,437,251</u>	<u>3,152,355</u>	<u>3,306,395</u>
Total operating expenses	<u>11,447,176</u>	<u>13,250,452</u>	<u>5,129,309</u>	<u>6,915,510</u>
Operating income	<u>3,366,354</u>	<u>1,838,803</u>	<u>1,626,810</u>	<u>1,623,749</u>
Non-operating income and expenses:				
Other income (notes 6(q) and 7)	656,408	1,549,043	312,547	894,360
Other gains and losses (note 6(q))	1,157,944	(175,632)	713,961	(308,151)
Finance costs (note 6(q))	(947,823)	(1,177,790)	(470,345)	(606,551)
Recognized share of associates and joint ventures accounted for equity method	<u>148,815</u>	<u>42,839</u>	<u>94,440</u>	<u>20,319</u>
Total non-operating income and expenses	<u>1,015,344</u>	<u>238,460</u>	<u>650,603</u>	<u>(23)</u>
Profit before tax	4,381,698	2,077,263	2,277,413	1,623,726
Tax expenses (note 6(m))	<u>1,023,334</u>	<u>519,356</u>	<u>534,318</u>	<u>407,760</u>
Profit	<u>3,358,364</u>	<u>1,557,907</u>	<u>1,743,095</u>	<u>1,215,966</u>
Other comprehensive income				
Exchange differences on translation of financial statements	1,572,564	(141,258)	351,301	(1,180,389)
Unrealized gains (losses) on valuation of available-for-sale financial assets	(108,614)	137,630	(269,686)	127,581
Share of other comprehensive income of associates and joint ventures	66,137	(19,066)	37,382	(22,736)
Income tax expense related to components of other comprehensive income(note 6(m))	<u>(4,169)</u>	<u>(8,507)</u>	<u>(7,636)</u>	<u>5,850</u>
Other comprehensive income, net of tax	<u>1,534,256</u>	<u>(14,187)</u>	<u>126,633</u>	<u>(1,081,394)</u>
Total comprehensive income	\$ <u><u>4,892,620</u></u>	<u><u>1,543,720</u></u>	<u><u>1,869,728</u></u>	<u><u>134,572</u></u>
 Profit attributable to:				
Owners of the Company	3,353,962	1,552,751	1,740,405	1,210,791
Non-controlling interests	<u>4,402</u>	<u>5,156</u>	<u>2,690</u>	<u>5,175</u>
Profit	\$ <u><u>3,358,364</u></u>	<u><u>1,557,907</u></u>	<u><u>1,743,095</u></u>	<u><u>1,215,966</u></u>
 Total comprehensive income attributable to:				
Owners of the Company	4,888,241	1,538,561	1,867,064	129,408
Non-controlling interests	<u>4,379</u>	<u>5,159</u>	<u>2,664</u>	<u>5,164</u>
Total comprehensive income	\$ <u><u>4,892,620</u></u>	<u><u>1,543,720</u></u>	<u><u>1,869,728</u></u>	<u><u>134,572</u></u>
 Earnings per share (in dollars), after tax (note 6(p))				
Basic earnings per share	\$ <u><u>1.43</u></u>	<u><u>0.66</u></u>	<u><u>0.74</u></u>	<u><u>0.51</u></u>
Diluted earnings per share	\$ <u><u>1.36</u></u>	<u><u>0.64</u></u>	<u><u>0.66</u></u>	<u><u>0.50</u></u>

See accompanying notes to consolidated financial statements.

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WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2014
(amounts expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the Company														
	Retained earnings							Other equity							
	Capital stock	Undistributed stock dividends	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings subtotal	Exchange differences on translation of financial statements	Unrealized gain (loss) on available-for-sale financial assets	Other unearned compensation for restricted employee shares of stock	Other equity Subtotal	Treasury stock	Total	Non-controlling interests	Total equity
Beginning balance at January 1, 2013	\$ 21,979,432	-	19,399,395	5,561,975	1,791,906	17,868,293	25,222,174	(3,279,107)	(622,213)	-	(3,901,320)	(777,535)	61,922,146	5,531	61,927,677
Profit	-	-	-	-	-	3,353,962	3,353,962	-	-	-	-	-	3,353,962	4,402	3,358,364
Other comprehensive income	-	-	-	-	-	-	-	1,612,709	(78,430)	-	1,534,279	-	1,534,279	(23)	1,534,256
Appropriation of 2012 earnings in 2013															
Legal reserve	-	-	-	666,643	-	(666,643)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,050,858	(2,050,858)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,273,767)	(3,273,767)	-	-	-	-	-	(3,273,767)	-	(3,273,767)
Stock dividends to shareholders	-	1,091,255	-	-	-	(1,091,255)	(1,091,255)	-	-	-	-	-	-	-	-
Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	-	3,911	-	-	189	189	-	-	-	-	-	4,100	-	4,100
Issuance of common stock arising from exercise of employee stock options	260	-	613	-	-	-	-	-	-	-	-	-	873	-	873
Balance at June 30, 2013	\$ 21,979,692	1,091,255	19,403,919	6,228,618	3,842,764	14,139,921	24,211,303	(1,666,398)	(700,643)	-	(2,367,041)	(777,535)	63,541,593	9,910	63,551,503
Beginning balance at January 1, 2014	\$ 23,781,603	-	19,651,679	6,228,618	3,842,765	16,000,959	26,072,342	(1,951,414)	(837,140)	(530,121)	(3,318,675)	-	66,186,949	9,069	66,196,018
Profit	-	-	-	-	-	1,552,751	1,552,751	-	-	-	-	-	1,552,751	5,156	1,557,907
Other comprehensive income	-	-	-	-	-	-	-	(154,130)	139,940	-	(14,190)	-	(14,190)	3	(14,187)
Appropriation of 2013 earnings in 2014															
Legal reserve	-	-	-	575,134	-	(575,134)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,280,688)	(4,280,688)	-	-	-	-	-	(4,280,688)	-	(4,280,688)
Stock dividends	-	475,632	-	-	-	(475,632)	(475,632)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,054,211)	1,054,211	-	-	-	-	-	-	-	-	-
Increase (decrease) in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	-	35,966	-	-	5,789	5,789	-	-	-	-	-	41,755	-	41,755
Compensation cost arising from restricted employee shares of stock	-	-	-	-	-	-	-	-	-	109,604	109,604	-	109,604	-	109,604
Differences between equity purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	(1,152)	-	-	-	-	-	-	-	-	-	(1,152)	-	(1,152)
Changes in ownership interests of subsidiaries	-	-	(9,962)	-	-	-	-	-	-	-	-	-	(9,962)	-	(9,962)
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	133,305	133,305
Balance at June 30, 2014	\$ 23,781,603	475,632	19,676,531	6,803,752	2,788,554	13,282,256	22,874,562	(2,105,544)	(697,200)	(420,517)	(3,223,261)	-	63,585,067	147,533	63,732,600

See accompanying notes to consolidated financial statements.

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WISTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2014
(amounts expressed in thousands of New Taiwan Dollars)

	<u>2013</u>	<u>2014</u>
Cash flows from operating activities:	\$ 4,381,698	2,077,263
Profit		
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,522,595	3,836,722
Amortization	191,243	186,642
Net profit or loss of financial assets and liabilities at fair value through profit or loss	(189,822)	460,990
Interest expense	947,823	1,177,790
Interest income	(612,604)	(1,501,233)
Dividend income	(2,828)	(9,931)
Gain on disposal of investments	(69,959)	(7,006)
Recognized share of associates and joint ventures accounted for equity method	(148,815)	(42,839)
Loss on disposal of property, plant and equipment, net	4,161	29,388
Property, plant and equipment transferred to expense	16,881	4,485
Other assets transferred to expense	7,043	41,417
Exchange difference of bonds payable	270,206	(9,611)
Compensation cost arising from restricted employee shares of stock	-	115,604
	<u>3,935,924</u>	<u>4,282,418</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	3,767,671	8,948,105
Accounts receivable—related parties	1,981,725	194,811
Other receivable—related parties	45,388	(16,043)
Inventories	(12,120,397)	(8,249,413)
Other assets—current	<u>(1,504,010)</u>	<u>(521,189)</u>
Total changes in operating assets	<u>(7,829,623)</u>	<u>356,271</u>
Changes in operating liabilities:		
Notes and accounts payable	(6,853,749)	(2,718,737)
Accounts payable—related parties	(2,774,347)	(892,931)
Other payable—related parties	(231,422)	(44,181)
Provision	322,032	190,348
Other liabilities—current	583,345	665,802
Other liabilities—noncurrent	<u>(4,360)</u>	<u>16,190</u>
Total changes in operating liabilities	<u>(8,958,501)</u>	<u>(2,783,509)</u>
Net changes in operating assets and liabilities	<u>(16,788,124)</u>	<u>(2,427,238)</u>
Total changes in operating assets and liabilities	<u>(12,852,200)</u>	<u>1,855,180</u>
Cash generated from (used in) operating activities	<u>(8,470,502)</u>	<u>3,932,443</u>
Interest received	620,900	1,662,070
Dividend received	2,828	49,099
Interest paid	(681,284)	(968,641)
Income tax paid	<u>(1,321,908)</u>	<u>(962,952)</u>
Net cash from (used in) operating activities	<u>(9,849,966)</u>	<u>3,712,019</u>
Cash flows from investing activities:		
Decrease (increase) in available-for-sale financial assets—current	(20,526)	4,631
Increase in non-trade receivable from related parties	(13,043)	(3,684)
Increase in available-for-sale financial assets—noncurrent	(9,180)	(313,527)
Proceeds from disposal of available-for-sale financial assets—noncurrent	141,589	7,409
Increase in financial assets carried at cost—noncurrent	(65,011)	(190,396)
Proceeds from return of financial assets carried at cost	13,107	3,070
Increase in equity-accounted investees	-	(513,565)
Proceeds from disposal of equity accounted investees	-	19,972
Acquisition of subsidiaries, net of cash acquired	24,607	-
Disposal of subsidiaries	-	(10,881)
Additions to property, plant and equipment	(2,686,714)	(2,571,429)
Proceeds from disposal of property, plant and equipment	574,470	67,295
Additions to intangible assets	(253,427)	(130,366)
Increase in other non-current assets	<u>(703,029)</u>	<u>(1,647,010)</u>
Net cash flows used in investing activities	<u>(2,997,157)</u>	<u>(5,278,481)</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(7,764,992)	5,562,896
Increase in long-term borrowings	1,603,136	2,117,080
Decrease in long-term borrowings	(764,820)	(10,042,779)
Increase (decrease) in deposits received	834,995	(72,487)
Issuance of common stock arising from exercise of employee stock options	873	-
Grants income	3,374	-
Increase in non-controlling interests	<u>-</u>	<u>117,342</u>
Net cash flows used in financing activities	<u>(6,087,434)</u>	<u>(2,317,948)</u>
Effect of exchange rate changes	<u>1,662,235</u>	<u>(145,207)</u>
Net decrease in cash and cash equivalents	<u>(17,272,322)</u>	<u>(4,029,617)</u>
Cash and cash equivalents at beginning of the period	<u>72,579,429</u>	<u>70,086,875</u>
Cash and cash equivalents at end of the period	<u>\$ 55,307,107</u>	<u>66,057,258</u>

See accompanying notes to consolidated financial statements.

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as of June 30, 2013 and 2014

WISTRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2014

**(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 (R.O.C). In pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to acquire the net assets spun off from AI’s DMS (Design, Manufacturing, and Service products) business.

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

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

2. Approval date and procedures of the consolidated financial statements

The consolidated interim financial statements as of and for the six-month periods ended June 30, 2013 and 2014 were authorized for issue by the Board of Directors on August 13, 2014.

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. New standards and interpretations not yet adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) 2013 issued by the IASB but not yet adopted by the Financial Supervisory Commissions R.O.C. (“FSC”).

According to the No. Financial-Supervisory-Securities-Auditing-1030010325 of the Financial Supervisory Commission on April 3, 2014, listed, OTC and emerging companies will have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) with fully adoption on 2014. Relevant new releases, modifications and amendments to standards and interpretations are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amended IFSR 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amended IFSR 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amended IFSR 1 “Government Loans”	January 1, 2013
Amended IFSR 7 “Disclosures—Transfers of Financial Assets”	July 1, 2011
Amend IFSR 7 “Disclosures—derecognition of financial assets and financial liabilities”	January 1, 2013
IAS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be January 1, 2014)
IAS 11 “Joint Arrangements”	January 1, 2013
IAS 12 “Disclosure of interests in other entities”	January 1, 2013
IAS 13 “Fair value measurement”	January 1, 2013
Amended to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amended IAS 12 “Recognition of deferred tax assets for unrealized losses”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate financial statement”	January 1, 2013
Amended IAS 32 “Financial assets and liabilities offsetting”	January 1, 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013

After the evaluation, the Group believes that applying the IFRSs 2013 will not cause any significant changes in the consolidated financial statements, except for the following:

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WISTRON CORPORATION AND SUBSIDIARIES
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1. IAS 19 “Employee Benefits”

This standard mainly amended the following:

- (1) Instead of the cost being recognized as profit or loss (which consists of the interest cost on the defined obligation and expected return on plan assets), the net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liabilities (asset) by the discount rate.
- (2) The actuarial gains and losses and the unvested past service cost are immediately recognized as other comprehensive income (OCI) and profit or loss, respectively, in the reporting period in which these occur rather than using the “corridor approach” and recognizing them over the average vesting period.
- (3) The termination benefits is recognized as a liability and an expense at the earlier of the date when the entity recognizes its related restructuring costs and the date when the entity can no longer withdraw the offer of the termination benefits.
- (4) More extensive disclosure related to defined benefit plan is required to comply with the above standard.

2. IAS 1 “Presentation of financial statements”

The standard that amended the presentation of OCI, classified as items presented before tax, should be shown separately for each of the two categories of OCI items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Group has to change the presentation of OCI according to that standard.

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

It’s a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. The Group will disclose the information of the consolidated entities and unconsolidated entities as the standard requires.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. IFRS 13 “Fair Value Measurement “

The standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. There is no significant impact on the Group’s financial position and results of operations after the evaluation. And the Group will disclose the fair value measurement as the standard requires.

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

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

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 “Financial instruments”	January 1, 2018
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amended IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amended IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortizations”	January 1, 2016
Amended IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amended IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amended IAS 36 “Recoverable amount disclosure for non-financial assets”	January 1, 2014
Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Summary of Significant Accounting Policies

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to the Regulations) and guidelines of IAS 34 Interim Financial Reporting which are endorsed by FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC(hereinafter referred to IFRS endorsed by the FSC) for full annual financial statements.

Except for the following accounting policies mentioned below, the rest of the accounting policies adopted are the same as those in the consolidated financial statements for year ended December 31, 2013. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2013 and for other related information.

(b) Basis of consolidation

The principle of preparation of the consolidated financial statements is the same as the consolidated financial statement for the year ended December 31, 2013. Please refer to the note 4(c) of the consolidated financial statements for other related information.

(1) List of subsidiaries included in the consolidated financial statements

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

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
-	Wistron Corporation (the Company, Taiwan)	-	-	-
the Company	International Standard Labs ("ISL", Taiwan)	100.00	100.00	100.00
the Company	Wistron Mexico, S.A. de C.V. ("WMX", Mexico)	100.00	100.00	100.00
the Company	WisVision Corporation ("WVS", British Virgin Islands)	100.00	100.00	100.00
the Company	Wistron Optonics Corp. ("WOC", formerly "WOD", Taiwan)	(note 1)	(note 1)	100.00
the Company	Wistron Technology (Malaysia) Sdn. Bhd. ("WMY", Malaysia)	100.00	100.00	100.00
the Company	Wiwynn Corporation ("WYHQ", Taiwan)	66.72	95.00	95.00
the Company	Wistron Mobile Solutions Corporation ("WCH", U.S.A.)	100.00	100.00	100.00
the Company	Wistron InfoComm (Czech), s.r.o. ("WCZ", Czech)	100.00	(note 2)	(note 2)
Cowin	Wistron InfoComm (Zhongshan) Co., Ltd. ("WZS", China)	100.00	100.00	100.00
Cowin	BriVision Optonics (Zhongshan) Corp. ("WBVZ", China)	100.00	(note 4)	(note 4)
AIIH	All Technology (Zhongshan) Co., Ltd. ("ATZS", China)	100.00	100.00	100.00
Win Smart	Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	100.00	100.00	100.00
Win Smart	Wistron InfoComm Technology (Kunshan) Co., Ltd. ("WIKS", China)	100.00	100.00	100.00
Win Smart	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	100.00	100.00	100.00
Win Smart	Wistron InfoComm (Taizhou) Co., Ltd. ("WTZ", China)	100.00	100.00	100.00

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
Win Smart	Wistron InfoComm (CHONGQING) Co., Ltd. (“WCQ”, China)	100.00	100.00	100.00
Win Smart	Wiwynn Technology Service (Beijing) Limited (“WYBJ”, China)	100.00	100.00	100.00
Win Smart	Wistron InfoComm Technology Service (Kunshan) Co., Ltd. (“WRKS”, China)	100.00	100.00	-
WSC	Wistron InfoComm (Chengdu) Co., Ltd. (“WCD”, China)	100.00	100.00	100.00
WDC	Wistron Optronics (Kunshan) Co., Ltd. (“WOK”, China)	100.00	100.00	100.00
WHHK	Wistron InfoComm (Qingdao) Co., Ltd (“WQD”, China)	100.00	100.00	100.00
WSE	Wistron InfoComm (Czech), s.r.o. (“WCZ”, Czech Republic)	(note 2)	100.00	100.00
WVS	Wistron InfoComm Technology (Zhongshan) Co., Ltd. (“WTZS”, China)	100.00	100.00	100.00
WEH	Polymer Vision B.V. (“WPV”, Holland)	100.00	100.00	100.00
WCL	Creator Technology B.V. (“WCT”, Holland)	100.00	100.00	100.00
WLB	Wiwynn Corporation (“WYHQ”, Taiwan)	10.00	-	-
WYHQ	AnyCloud Plus Technology Company Limited (“WYACP”, Taiwan)	76.72	95.00	95.00
WYHQ	Wiwynn Technology Service Japan , Inc. (“WYJP”, Japan)	76.72	95.00	95.00
WYHQ	Wiwynn International Corporation. (“WYUDE”, U.S.A.)	76.72	95.00	95.00
WYHK	Wiwynn Technology Service Kunshan Ltd. (“WYKS”, China)	76.72	-	-
WBV	BriVision Optronics (Zhongshan) Corp. (“WBVZ”, China)	(note 4)	100.00	100.00

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

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
the Company	Cowin Worldwide Corporation (“Cowin”, British Virgin Islands)	100.00	100.00	100.00
the Company	AIH Holding Corporation (“AIH”, British Virgin Islands)	100.00	100.00	100.00
the Company	Wistron Service B.V. (“WSE”, Holland)	(note 2)	100.00	100.00
the Company	SMS InfoComm Corporation (“WTX”, U.S.A.)	100.00	100.00	100.00
the Company	Anextek Global Incorporated (“AGI”, Taiwan)	99.95	99.95	99.94
the Company	Anwith Technology Corporation (“WCHQ”, Taiwan)	100.00	100.00	-
the Company	SMS InfoComm (Singapore) Pte. Ltd. (“WSG”, Singapore)	100.00	100.00	100.00
the Company	SMS InfoComm Technology Services and Management Solutions Ltd. (“WBR”, Brazil)	100.00	100.00	100.00
the Company	SMS InfoComm Technology Services Limited Company (“WTR”, Turkey)	100.00	100.00	100.00
the Company	Service Management Solutions Colombia S.A.S. (“WSCO”, Colombia)	100.00	100.00	100.00
the Company	Service Management Solutions Mexico SA DE CV (“WSMX”, Mexico)	100.00	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation (“WPH”, Philippines)	100.00	100.00	100.00
WLLC	Wistron InfoComm Technology (America) Corporation (“WITX”, U.S.A.)	100.00	100.00	100.00
Win Smart	Wistron Service (Kunshan) Corp. (“WSKS”, China)	100.00	100.00	100.00
Win Smart	Wistron Hong Kong Limited (“WHK”, Hong Kong)	100.00	100.00	100.00
Win Smart	SMS (Kunshan) Co., Ltd. (“WMKS”, China)	100.00	100.00	100.00
WDC	Wistron Optronics (Shanghai) Co., Ltd. (“WOSH”, China)	100.00	100.00	100.00
AIH	Wistron K.K. (“WJP”, Japan)	100.00	100.00	100.00
WSG	ICT Service Management Solutions (India) Private Limited (“WIN”, India)	100.00	100.00	100.00
WSG	SMS Infocomm (Malaysia) SDN. BHD. (“WSMY”, Malaysia)	100.00	-	-
WEH	SMS InfoComm (Czech) s.r.o. (“WSCZ”, Czech Republic)	100.00	100.00	100.00
WHK	ANWITH (Kunshan) Co., LTD. (“WCKS”, China)	100.00	100.00	100.00

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

iii Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
the Company	WiseCap Ltd. ("WCL", Taiwan)	100.00	100.00	100.00
the Company	Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	100.00	100.00	100.00
the Company	Wistron LLC ("WLLC", U.S.A.)	100.00	100.00	100.00
the Company	Wistron Advanced Materials (Hong Kong) Limited ("WGHK", Hong Kong)	100.00	100.00	100.00
the Company	Wistron Europe Holding Cooperatie U.A. ("WEH", Holland)	100.00	100.00	100.00
the Company	BriVision Optronics (L) Corp. ("WBV", Malaysia)	(note 3)	(note 3)	100.00
the Company	WiEDU Holding Co., Ltd ("WEDH", Seychelles)	100.00	100.00	-
the Company	WiseCap (Hong Kong) Limited ("WCHK", Hong Kong)	100.00	100.00	-
Cowin	BriVision Optronics (L) Corp. ("WBV", Malaysia)	100.00	100.00	(note 3)
AGI	Xserve Technology Incorporated ("XTI", British Virgin Islands)	99.95	99.95	99.94
AIHH	WinDisplay Corporation ("WDC", British Virgin Islands)	100.00	100.00	100.00
WCL	WLB Ltd. ("WLB", Taiwan)	100.00	100.00	100.00
Win Smart	Wistron Hong Kong Holding Limited ("WHHK", Hong Kong)	100.00	100.00	100.00
WHHK	Wistron Investment (Sichuan) Co., Ltd. ("WSC", China)	100.00	100.00	100.00
WYHQ	Wiwynn Technology Service Hong Kong Limited ("WYHK", Hong Kong)	76.72	-	-

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

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
AIHH	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	100.00	100.00	100.00
WEDH	WIEDU SDN. BHD. ("WEMY", Malaysia)	100.00	100.00	-

v Subsidiaries engaged in recycling of electronic products :

Investor	Name of subsidiary	Percentage ownership		
		2014.6.30	2013.12.31	2013.6.30
the Company	Wistron Green Tech (Texas) Corporation ("WGTX", U.S.A.)	100.00	100.00	100.00
WGHK	Wistron Advanced Materials (Kunshan) Co., Ltd. ("WGKS", China)	100.00	100.00	100.00

(note 1) WOC applied for cancellation of business registration, and the liquidation procedure was still in progress.

(note 2) The liquidation procedure of WSE was still in progress as of June 30, 2014.

(note 3) Cowin merged with WBV through stock exchange, and the liquidation process of WBV was still in progress as of June 30, 2014.

(note 4) WBV transferred 100% shares of WBVZ to Cowin for the restructure of the Group and for the completion of the liquidation process of WBV.

(2) Subsidiaries excluded from consolidated: None.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Defined benefit plans

The pension cost in the condensed consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the beginning of the year to the end of the year.

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and no settlement or other material one-time events.

(d) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 “Interim Financial Reporting”

Income tax expense for the year is best estimated by multiplying pretax the income for the interim reporting period with the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and they shall be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated quarterly financial statements in conformity with IFRSs (in accordance with IAS 34 “Interim financial reporting” and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, the major sources of accounting assumptions, judgments and estimation uncertainty are consistent with the note 5 of the consolidated financial statement for the year ended December 31, 2013 prepared under IFRSs (approved by FSC).

6. Significant Account Disclosures

Except for the following disclosures, there is no significant difference compared with the consolidated financial statement for the year ended December 31, 2013. Please refer to the note 6 of the consolidated financial statements for the year ended December 31, 2013 and for other related information.

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WISTRON CORPORATION AND SUBSIDIARIES
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(a) Cash and cash equivalents

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Cash on hand	\$ 29,602	26,408	25,680
Demand and checking deposits	12,041,131	20,592,688	31,665,037
Time deposits	43,236,203	49,467,352	34,366,264
Short-term notes	171	427	277
	<u>\$ 55,307,107</u>	<u>70,086,875</u>	<u>66,057,258</u>

(b) Financial assets

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

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

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Foreign currency swap contracts	\$ 17,748	478,780	310,304
Foreign currency forward contracts	29,386	345,250	407
Cross currency swap contracts	-	-	6,919
	<u>\$ 47,134</u>	<u>824,030</u>	<u>317,630</u>

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

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Foreign currency swap contracts	\$ 11,947	412,694	233,493
Foreign currency forward contracts	6,153	3,004	158,316
Redemption option of convertible bonds	-	-	2,464
	<u>\$ 18,100</u>	<u>415,698</u>	<u>394,273</u>

(3) Financial liabilities at fair value through profit or loss — noncurrent:

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Redemption option of convertible bonds	<u>\$ 107,522</u>	<u>22,205</u>	<u>-</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Company is exposed to, arising from its operating, financing and investing activities. As of June 30 and December 31, 2013, and June 30, 2014, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency swap contracts:

<u>June 30, 2013</u>		<u>December 31, 2013</u>	
<u>Amount</u>	<u>Currency</u>	<u>Amount</u>	<u>Currency</u>
<u>(in thousands)</u>		<u>(in thousands)</u>	
USD <u>65,000</u>	USD Put / TWD Call	USD <u>580,000</u>	USD Put / CNY Call
USD <u>57,500</u>	USD Put / CNY Call	USD <u>65,000</u>	TWD Put / USD Call
USD <u>352,000</u>	TWD Put / USD Call	USD <u>580,000</u>	CNY Put / USD Call
<u>June 30, 2014</u>			
<u>Amount</u>	<u>Currency</u>		
<u>(in thousands)</u>			
USD <u>15,000</u>	USD Put / TWD Call		
USD <u>934,800</u>	USD Put / CNY Call		
USD <u>906,000</u>	CNY Put / USD Call		
USD <u>337,000</u>	TWD Put / USD Call		

(ii) Foreign currency forward contracts:

<u>June 30, 2013</u>		<u>December 31, 2013</u>	
<u>Amount</u>	<u>Currency</u>	<u>Amount</u>	<u>Currency</u>
<u>(in thousands)</u>		<u>(in thousands)</u>	
USD <u>3,000</u>	TWD Put / USD Call	USD <u>343,000</u>	TWD Put / USD Call
USD <u>1,500</u>	JPY Put / USD Call	USD <u>2,688</u>	XAU Put / USD Call
USD <u>47,000</u>	USD Put / TWD Call	USD <u>4,000</u>	BRL Put / USD Call
USD <u>228,000</u>	USD Put / CNY Call	USD <u>300</u>	JPY Put / USD Call
USD <u>4,000</u>	USD Put / BRL Call	USD <u>976,500</u>	USD Put / CNY Call
<u>June 30, 2014</u>			
<u>Amount</u>	<u>Currency</u>		
<u>(in thousands)</u>			
USD <u>64,000</u>	TWD Put / USD Call		
USD <u>2,221</u>	XAU Put / USD Call		
USD <u>2,000</u>	BRL Put / USD Call		
USD <u>476,000</u>	USD Put / CNY Call		

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) Cross currency swap contracts:

June 30, 2014				
Amount (in thousands)	Contracts period	Interest rate payable	Interest rate receivable	Swap period
USD\$ <u>54,400</u>	June 20, 2014~July 24, 2014	0%	2.200%	June 23, 2014~July 24, 2014

2. Available-for-sale financial assets

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

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Funds	\$ <u>23,564</u>	<u>26,513</u>	<u>22,508</u>

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

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Financial Assets measured at Fair Value:			
Publicly traded stocks	\$ 1,499,515	1,504,553	1,732,223
Non-public stock	<u>352,496</u>	<u>365,884</u>	<u>583,727</u>
	<u>\$ 1,852,011</u>	<u>1,870,437</u>	<u>2,315,950</u>
Financial Assets measured at Cost:			
Non-public stock	\$ 727,035	700,525	809,982
Subordinated note	<u>-</u>	<u>-</u>	<u>91,359</u>
	<u>\$ 727,035</u>	<u>700,525</u>	<u>901,341</u>

3. Foreign equity investments:

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

June 30, 2013				December 31, 2013			
	Foreign currency	Rate	TWD		Foreign currency	Rate	TWD
USD	\$ 22,763	30.120	685,625		26,327	29.950	788,487

June 30, 2014			
	Foreign currency	Rate	TWD
USD	\$ 36,252	29.915	1,084,470

4. As of June 30 and December 31, 2013, and June 30, 2014, the financial assets were not pledged.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Notes and accounts receivable

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Notes receivable	\$ 2,030	477	11,910
Accounts receivable	90,879,716	85,483,353	76,450,857
Other assets — current — other receivable	3,207,722	3,190,007	2,953,283
Less: allowance for doubtful accounts	<u>(122,840)</u>	<u>(130,838)</u>	<u>(131,770)</u>
	<u>\$ 93,966,628</u>	<u>88,542,999</u>	<u>79,284,280</u>

The Group aging analysis of notes and accounts receivable and other assets — current — other receivable that were past due but not impaired were as follows:

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Past due 0~30 days	\$ 2,061,435	1,497,012	1,745,850
Past due 31~60 days	907,991	292,826	265,458
Past due 61~90 days	395,325	865,432	164,624
Past due 91~120 days	253,584	30,106	220,606
Past due over 120 days	<u>779,930</u>	<u>242,799</u>	<u>313,193</u>
	<u>\$ 4,398,265</u>	<u>2,928,175</u>	<u>2,709,731</u>

For the six-month periods ended June 30, 2013 and 2014, the movements of allowance for doubtful accounts with respect to notes and accounts receivable and other assets — current — other receivable were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2013	\$ 73,833	47,876	121,709
Impairment loss recognized	<u>-</u>	<u>1,131</u>	<u>1,131</u>
Balance at June 30, 2013	<u>\$ 73,833</u>	<u>49,007</u>	<u>122,840</u>
	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2014	\$ 82,964	47,874	130,838
Impairment loss recognized	<u>-</u>	<u>932</u>	<u>932</u>
Balance at June 30, 2014	<u>\$ 82,964</u>	<u>48,806</u>	<u>131,770</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group evaluated the historical trends, recovery terms and the losses of the default possibility of the receivables; and the management of the Group accrued the allowance for doubtful accounts according to current economic condition and credit. Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Group does not hold any collateral for the collectible amounts. The Group believed that the receivables were collectable basing on historical default rates and analysis of clients' credit rating.

As of June 30 and December 31, 2013, and June 30, 2014, the factored accounts receivable that conformed to the derecognition criteria were as follows:

June 30, 2013					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>1,920,036</u>	<u>1,654,000</u>	<u>1,321,199</u>	<u>1,654,000</u>	Without recourse	<u>1,411,974</u>
December 31, 2013					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>1,716,942</u>	<u>1,404,000</u>	<u>1,227,848</u>	<u>1,404,000</u>	Without recourse	<u>1,316,414</u>
June 30, 2014					
<u>Factored amount</u>	<u>Factoring credit limit</u>	<u>Advance amount</u>	<u>Collateral</u>	<u>Important derecognition clause</u>	<u>Derecognized amount</u>
\$ <u>1,636,627</u>	<u>1,460,188</u>	<u>1,315,839</u>	<u>1,335,000</u>	Without recourse	<u>1,383,460</u>

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 June 30 and December 31, 2013, and June 30, 2014, included among the factored accounts receivable were accounts receivable of \$2,734,137, \$2,652,548 and \$2,022,886, respectively, which were yet to be factored by banks since the ownership and the significant risks were not transferred, therefore, they were included in "other assets—current" in the accompanying balance sheets.

For the six-month periods ended June 30, 2013 and 2014, the average annual interest rates on factored accounts receivable were 1.240% to 1.370% and 1.170% to 1.700%, respectively.

As of June 30 and December 31, 2013, and June 30, 2014, the notes and accounts receivable were not pledged.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Inventories

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Raw materials	\$ 30,514,478	24,443,792	24,043,196
Work in progress	6,177,178	4,604,123	5,087,649
Finished goods	15,219,075	11,554,983	15,851,177
Inventory in transit	<u>7,899,566</u>	<u>9,382,543</u>	<u>13,153,794</u>
	\$ <u>59,810,297</u>	<u>49,985,441</u>	<u>58,135,816</u>

For the six-month periods ended June 30, 2013 and 2014, the write-downs of inventories to the net realized value were as follows:

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Loss (gain) on valuation of inventories and obsolescence and scrap loss	\$ <u><u>(690,961)</u></u>	<u><u>375,227</u></u>	<u><u>(502,315)</u></u>	<u><u>129,709</u></u>

As of June 30 and December 31, 2013, and June 30, 2014, the inventories were not pledged.

(e) Equity — accounted investees

As of June 30 and December 31, 2013, and June 30, 2014, the components of investments accounted for using the equity method were as follows:

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Associates	\$ <u>5,267,058</u>	<u>5,476,999</u>	<u>5,710,016</u>

1. Associate

As of June 30 and December 31, 2013, and June 30, 2014, the fair value of investments in associates of the Group for which there are public price quotations were as follows:

	<u>2013.6.30</u>		<u>2013.12.31</u>		<u>2014.6.30</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
WNC	\$ 2,538,038	3,525,925	2,716,406	6,352,123	2,632,345	6,023,848
AOI	372,132	260,722	323,161	301,072	284,671	290,874
WITS	-	-	-	-	305,858	605,929
Formosa Prosonic Industries Berhad	-	-	-	-	476,586	644,693
	\$ <u>2,910,170</u>	<u>3,786,647</u>	<u>3,039,567</u>	<u>6,653,195</u>	<u>3,699,460</u>	<u>7,565,344</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Collateral

As of June 30 and December 31, 2013, and June 30, 2014 the investments in aforementioned equity-accounted investees were not pledged as collateral.

(f) Property, plant and equipment

	<u>Land</u>	<u>Building and improvements</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Research and development equipment</u>	<u>Furniture and fixtures</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2013	\$ 3,442,409	17,446,096	14,308,994	11,146,602	1,474,671	1,890,470	8,880,045	58,589,287
Effect of changes in consolidated entity	-	-	48,594	192	-	-	21,715	70,501
Additions	-	126,204	860,468	225,046	370,618	110,053	994,325	2,686,714
Reclassification	-	861,613	1,261,231	688,395	7,002	2,474	(774,310)	2,046,405
Disposals	-	(8,635)	(1,560,503)	(83,181)	(10,103)	(28,875)	(82,678)	(1,773,975)
Effect of changes in foreign exchange rates	(32,313)	408,820	445,904	1,357	5,926	19,893	281,419	1,131,006
Balance at June 30, 2013	<u>\$ 3,410,096</u>	<u>18,834,098</u>	<u>15,364,688</u>	<u>11,978,411</u>	<u>1,848,114</u>	<u>1,994,015</u>	<u>9,320,516</u>	<u>62,749,938</u>
Balance at January 1, 2014	\$ 3,387,140	20,537,363	15,935,903	12,830,083	2,169,312	2,080,067	8,566,996	65,506,864
Additions	-	259,460	612,024	120,502	203,440	188,111	1,187,892	2,571,429
Reclassification	-	2,761,558	581,217	723,799	(12,556)	7,961	(2,837,777)	1,224,202
Disposals	-	(85,115)	(956,755)	(392,133)	(18,291)	(84,511)	(132,594)	(1,669,399)
Effect of changes in foreign exchange rates	10,395	(33,706)	(25,144)	(76)	(2,898)	1,534	(5,913)	(55,808)
Balance at June 30, 2014	<u>\$ 3,397,535</u>	<u>23,439,560</u>	<u>16,147,245</u>	<u>13,282,175</u>	<u>2,339,007</u>	<u>2,193,162</u>	<u>6,778,604</u>	<u>67,577,288</u>
Depreciation and impairment loss:								
Balance at January 1, 2013	\$ -	3,493,304	7,153,270	9,834,997	1,075,040	1,070,374	1,797,878	24,424,863
Effect of changes in consolidated entity	-	-	12,025	192	-	-	5,946	18,163
Depreciation for the period	-	558,722	1,179,162	1,056,336	103,470	146,661	478,244	3,522,595
Reclassification	-	(4,972)	(2,152)	-	-	-	(32)	(7,156)
Disposals	-	(8,635)	(1,013,356)	(83,181)	(7,353)	(17,093)	(65,726)	(1,195,344)
Effect of changes in foreign exchange rates	-	98,555	220,154	733	743	14,772	56,906	391,863
Balance at June 30, 2013	<u>\$ -</u>	<u>4,136,974</u>	<u>7,549,103</u>	<u>10,809,077</u>	<u>1,171,900</u>	<u>1,214,714</u>	<u>2,273,216</u>	<u>27,154,984</u>
Balance at January 1, 2014	\$ -	4,630,215	7,681,281	11,672,673	1,303,443	1,318,523	2,972,702	29,578,837
Depreciation for the period	-	678,693	1,276,133	985,255	168,471	156,431	571,739	3,836,722
Reclassification	-	25,387	-	-	-	45	(25,387)	45
Disposals	-	(63,461)	(939,505)	(358,420)	(15,975)	(85,498)	(109,857)	(1,572,716)
Effect of changes in foreign exchange rates	-	(12,777)	(14,450)	(55)	(1,142)	(399)	(13,101)	(41,924)
Balance at June 30, 2014	<u>\$ -</u>	<u>5,258,057</u>	<u>8,003,459</u>	<u>12,299,453</u>	<u>1,454,797</u>	<u>1,389,102</u>	<u>3,396,096</u>	<u>31,800,964</u>
Carrying value:								
Balance at January 1, 2013	<u>\$ 3,442,409</u>	<u>13,952,792</u>	<u>7,155,724</u>	<u>1,311,605</u>	<u>399,631</u>	<u>820,096</u>	<u>7,082,167</u>	<u>34,164,424</u>
Balance at June 30, 2013	<u>\$ 3,410,096</u>	<u>14,697,124</u>	<u>7,815,585</u>	<u>1,169,334</u>	<u>676,214</u>	<u>779,301</u>	<u>7,047,300</u>	<u>35,594,954</u>
Balance at January 1, 2014	<u>\$ 3,387,140</u>	<u>15,907,148</u>	<u>8,254,622</u>	<u>1,157,410</u>	<u>865,869</u>	<u>761,544</u>	<u>5,594,294</u>	<u>35,928,027</u>
Balance at June 30, 2014	<u>\$ 3,397,535</u>	<u>18,181,503</u>	<u>8,143,786</u>	<u>982,722</u>	<u>884,210</u>	<u>804,060</u>	<u>3,382,508</u>	<u>35,776,324</u>

Please refer to note 8 for details of the Property, plant and equipment pledged as collateral as of June 30 and December 31, 2013, and June 30, 2014.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(g) Intangible assets

The carrying values of the intangible assets were as follows:

	<u>Patent</u>	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationships</u>	<u>Other</u>	<u>Total</u>
Carrying value:						
Balance at January 1, 2013	\$ <u>609,904</u>	<u>572,947</u>	<u>362,473</u>	<u>39,720</u>	<u>307</u>	<u>1,585,351</u>
Balance at June 30, 2013	\$ <u>636,356</u>	<u>605,115</u>	<u>398,389</u>	<u>13,240</u>	<u>252</u>	<u>1,653,352</u>
Balance at January 1, 2014	\$ <u>585,346</u>	<u>605,750</u>	<u>485,162</u>	<u>-</u>	<u>1,717</u>	<u>1,677,975</u>
Balance at June 30, 2014	\$ <u>531,566</u>	<u>605,711</u>	<u>482,565</u>	<u>-</u>	<u>521</u>	<u>1,620,363</u>

There were no significant addition, disposal, impairment loss or reversal gain for intangible assets for the six-month periods ended June 30, 2013 and 2014. Please refer to note 12(a) for the details of amortization. For other related information, please refer to the note 6(g) of the consolidated financial statements for the year ended December 31, 2013.

(h) Other assets — current and noncurrent

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Other assets — current:			
Other receivable	\$ 3,207,722	3,190,007	2,953,283
Prepaid royalty	1,159,398	914,123	1,170,972
Other prepayments	1,560,510	1,479,941	1,466,931
Tax refundable	1,355,090	1,947,059	2,865,175
Others	1,309,360	1,408,123	1,221,749
	<u>\$ 8,592,080</u>	<u>8,939,253</u>	<u>9,678,110</u>
	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Other assets — noncurrent:			
Advance payment for equipments	\$ 3,221,020	3,006,809	3,204,087
Prepaid rental	1,693,752	1,658,127	1,768,600
Others	662,131	754,623	752,056
	<u>\$ 5,576,903</u>	<u>5,419,559</u>	<u>5,724,743</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(i) Short-term and long-term loans

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Unsecured short-term bank loans	\$ <u>69,492,519</u>	<u>54,552,893</u>	<u>59,731,118</u>
Interest rates	<u>0.480%~3.400%</u>	<u>0.150%~15.500%</u>	<u>0.430%~11.800%</u>
Long-term loans:			
Unsecured long-term bank loans	\$ 5,031,078	22,863,644	15,272,883
Secured long-term bank loans	<u>30,155</u>	<u>24,267</u>	<u>20,930</u>
	5,061,233	22,887,911	15,293,813
Less: current portion	<u>(2,016,649)</u>	<u>(2,519,619)</u>	<u>(1,365,561)</u>
Total	<u>3,044,584</u>	<u>20,368,292</u>	<u>13,928,252</u>
Unused credit line	<u>111,318,035</u>	<u>138,019,200</u>	<u>136,830,648</u>
Interest rates	<u>0.820%~2.080%</u>	<u>0.230%~2.100%</u>	<u>0.690%~2.199%</u>

1. Loan issuance and repayment

The long-term borrowings increased by \$1,603,136 and 2,117,080 for the six-month periods ended June 30, 2013 and 2014, respectively. The interest rates of the aforementioned long-term borrowings were 1.210% to 2.100% and 2.083% to 2.199%, respectively. The repayment periods of the aforementioned long-term borrowings were from March, 2015 to March, 2018 and September, 2018, respectively.

The repayment of long-term borrowings amounted to \$764,820 and \$10,042,779 for the six-month periods ended June 30, 2013 and 2014, respectively.

Please refer to note 6(q) for details of the interest expense of the long-term and short-term borrowings for the six-month periods ended June 30, 2013 and 2014.

2. Breach of covenant

According to the Company's credit loan facility agreement with the banks, during the credit term, the Company is committed to maintain the financial ratios. If a breach of covenant occurs, the Company's credit facility is immediately restricted. And without the consent of authorized bank, the credit facility is no longer available for the Company. The Company was in compliance with the above financial covenants as of June 30 and December 31, 2013, and June 30, 2014.

3. Securities for bank loans

Please refer to note 8 for details of the related assets pledged as collateral.

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WISTRON CORPORATION AND SUBSIDIARIES
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4. As of June 30, 2014, future repayments for long-term borrowings were as follows:

<u>Period</u>	<u>Amounts</u>
2014.7.1~2015.6.30	\$ 1,365,561
2015.7.1~2016. 6.30	158,254
2016.7.1~2017. 6.30	4,229,138
2017.7.1~2018. 6.30	3,280,287
2018.7.1~2019. 6.30	<u>6,260,573</u>
	\$ <u>15,293,813</u>

5. Unsecured convertible bonds

The details for the Company's bonds payable are listed as below:

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Convertible bonds payable	\$ 7,730,436	7,972,109	8,265,155
Less: Current portion of bonds payable	<u>-</u>	<u>-</u>	<u>(8,265,155)</u>
	\$ <u>7,730,436</u>	<u>7,972,109</u>	<u>-</u>

There were no significant issuance, repayment for unsecured convertible bonds for the six-month periods ended June 30, 2013 and 2014. Please refer to the note 6(k) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

(j) Provision

	<u>January to June, 2013</u>	<u>January to June, 2014</u>
Balance at the beginning of period	\$ 1,490,545	1,859,245
Provision made during the period	1,240,360	1,185,695
Provision used during the period	(885,008)	(995,347)
Effect of movements in exchange rates	56,281	(3,616)
Provision reversed during the period	<u>(89,601)</u>	<u>-</u>
Balance at the end of period	\$ <u>1,812,577</u>	<u>2,045,977</u>

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

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WISTRON CORPORATION AND SUBSIDIARIES
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(k) Operating lease

There were no significant new lease contracts for the six-month periods ended June 30, 2013 and 2014. Please refer to the note 6(m) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

(l) Employee benefits

1. Defined benefit plans

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the interim consolidated financial statements were measured and disclosed according to the actuarial report as of December 31, 2013 and January 1, 2013.

The Group's expenses were listed as below:

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Cost of sales	\$ <u>5,531</u>	<u>5,576</u>	<u>2,885</u>	<u>2,317</u>
Sales expense	\$ <u>5,610</u>	<u>2,857</u>	<u>4,586</u>	<u>1,025</u>
Administrative expenses	\$ <u>3,422</u>	<u>3,437</u>	<u>1,719</u>	<u>2,174</u>
Research and development expenses	\$ <u>11,917</u>	<u>11,587</u>	<u>5,985</u>	<u>5,788</u>

2. Defined contribution plans

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Cost of sales	\$ <u>56,034</u>	<u>44,863</u>	<u>29,462</u>	<u>22,495</u>
Sales expense	\$ <u>33,761</u>	<u>40,882</u>	<u>15,036</u>	<u>21,817</u>
Administrative expenses	\$ <u>11,113</u>	<u>11,572</u>	<u>5,657</u>	<u>5,317</u>
Research and development expenses	\$ <u>101,068</u>	<u>100,220</u>	<u>52,195</u>	<u>49,773</u>

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(m) Income Taxes

1. The amounts of income tax expense were as follows:

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Current tax expense	\$ <u>1,023,334</u>	<u>519,356</u>	<u>534,318</u>	<u>407,760</u>

2. The amounts of income tax recognized in other comprehensive income were as follows.

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Exchange differences on translation of foreign financial statements	\$ 2,001	(37)	943	(187)
Unrealized losses (gains) on available-for-sale financial assets	<u>(6,170)</u>	<u>(8,470)</u>	<u>(8,579)</u>	<u>6,037</u>
	\$ <u><u>(4,169)</u></u>	<u><u>(8,507)</u></u>	<u><u>(7,636)</u></u>	<u><u>5,850</u></u>

3. The ROC income tax authorities have examined the Company's income tax returns for all years through 2011.
4. Integrated income tax information

As of June 30 and December 31, 2013, and June 30, 2014, the Company's integrated income tax information was as follows:

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
Unappropriated earnings, before January 1, 1998	\$ -	-	-
Unappropriated earnings, from January 1, 1998	<u>14,139,921</u>	<u>16,000,959</u>	<u>13,282,256</u>
	\$ <u><u>14,139,921</u></u>	<u><u>16,000,959</u></u>	<u><u>13,282,256</u></u>
Balance of deductible tax account	\$ <u><u>1,609,448</u></u>	<u><u>1,544,634</u></u>	<u><u>1,964,349</u></u>

	<u>2012(actual)</u>	<u>2013(estimated)</u>
Creditable ratio for earnings distribution to domestic stockholders	<u><u>9.03%</u></u>	<u><u>11.54%</u></u>

The aforementioned imputation tax related information was prepared in accordance with Decree No. 10204562810 issued by the Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

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WISTRON CORPORATION AND SUBSIDIARIES
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5. Appeals for administrative remedies

- (1) For 2008, the tax authorities assessed the Company for an additional income tax of \$57,297 as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed a request with the tax authorities for administrative remedies of its 2008 income tax returns. The tax authorities rejected the re-examination and re-appeal of its 2008 income tax returns, and subsequently, the Company had filed an administrative litigation. The high administrative court rejected the claim, and subsequently, the Company had filed an appeal to a higher court.
- (2) For 2009, the tax authorities assessed the Company for an additional income tax of \$41,154, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the tax authorities' assessment and filed a request with the tax authorities for administrative remedies of its 2009 income tax returns. The tax authorities rejected the re-examination and re-appeal of its 2009 income tax returns, and subsequently, the Company had filed an administrative litigation. The high administrative court rejected the claim, and subsequently, the Company had filed an appeal to a higher court.
- (3) For 2010, the tax authorities assessed the Company for an additional income tax of \$265,765, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed a request with the tax authorities for administrative remedies of its 2010 income tax returns. The tax authorities rejected the re-examination and re-appeal of its 2010 income tax returns, and subsequently, the Company had filed an administration litigation.
- (4) For 2011, the tax authorities assessed the Company for an additional income tax of \$409,169, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credits. However, the Company disagreed with the authorities' assessment and filed a request with tax authorities for administrative remedies of its 2011 income tax returns. As of June 30, 2014, the appeal of the aforementioned returns was still in progress.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(n) Capital and Other Equities

Except for the following disclosures, for the six-month periods ended June 30, 2013 and 2014, there were no significant differences in capital and other equities. Please refer to the note 6(p) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

1. Capital

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

	<u>2013.6.30</u>	<u>2013.12.31</u>	<u>2014.6.30</u>
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000	1,800,000
A premium issuance of common shares for cash	17,531,633	17,810,015	17,810,015
Surplus arising from treasury stock transactions	2,082	-	-
Surplus arising from equity-accounted investees	4,770	990	25,842
Employee stock options	65,434	65,434	65,434
Restricted employee shares of stock	-	(24,760)	(24,760)
	<u>\$ 19,403,919</u>	<u>19,651,679</u>	<u>19,676,531</u>

2. Unappropriated earnings

The Company's Articles of Incorporation stipulate that 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 erased special reserve, shall set aside (hereinafter referred to as "profit from the current year"), along with any undistributed profits accumulated from previous years to be identified as profits to be distributed, in accordance with the Securities and Exchange Act. The balance, if any, will be distributed in accordance with the following:

- i) No less than five percent (5%) 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;
- ii) One percent (1%) of profit from the current year as the remuneration in cash to the Directors;
- iii) The rest as working capital of the Company and dividends to shareholders will not less than 10% of earnings this year.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

iv) Earnings distribution:

The appropriation of 2012 earnings that was approved at the shareholders' meeting on June 14, 2013 and the appropriation of 2013 earnings that was approved at the shareholders' meeting on June 11, 2014 were as follows:

	<u>2012</u>	<u>2013</u>
Cash dividends	\$ 3,273,767	4,280,688
Stock dividends	<u>1,091,255</u>	<u>475,632</u>
	<u>\$ 4,365,022</u>	<u>4,756,320</u>
	<u>2012</u>	<u>2013</u>
Employee bonus	\$ 640,002	617,696
Directors' remuneration	<u>39,489</u>	<u>62,304</u>
	<u>\$ 679,491</u>	<u>680,000</u>

For the year ended December 31, 2012, the Company's accrued and recognized employee bonus and directors' remuneration amounted to \$641,667 and \$58,333, respectively. The difference between the actual amounts of 2012 earnings appropriated for employee bonuses and directors' remuneration as approved in the shareholders' meeting and those accrued in the financial statements was \$20,509 in 2013. For the year ended December 31, 2013, the Company's accrued and recognized employee bonuses and directors' remuneration amounted to \$623,333 and \$56,667, respectively. There were no differences between the actual amounts in the 2013 earnings appropriated for employee bonuses and directors' remuneration as approved in the shareholders' meeting and those accrued in the financial statements. The related information can be obtained from the public information website.

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

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Employee bonus	\$ 339,167	152,167	174,167	110,001
Directors' remuneration	<u>30,833</u>	<u>13,833</u>	<u>15,833</u>	<u>9,999</u>
	<u>\$ 370,000</u>	<u>166,000</u>	<u>190,000</u>	<u>120,000</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The employee bonus and directors' remuneration were estimated based on the net income for the six-month periods ended June 30, 2013 and 2014. If there are any significant changes between the accrued amounts and actual amount decided by the board of directors after the year end, the expense for the accrued year should be adjusted. Management is expecting that the difference between the amounts of employee bonus 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 estimation and recognized in profit or loss in the following year. In addition, the number of shares distributable to employees as employee bonus is determined based on the closing price (after considering the effect of dividends) on the day before the approval of stockholders' meeting.

3. Other equity

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets		Other equity- deferred Compensation
	Group	Associates	Group	Associates	Group
Balance at January 1, 2013	\$ (3,269,585)	(9,522)	(639,923)	17,710	-
Foreign currency translation differences (net of tax)	1,570,586	42,123	-	-	-
Unrealized gains (losses) on available-for- sale financial assets (net of tax)	-	-	(102,444)	24,014	-
Balance at June 30, 2013	\$ (1,698,999)	32,601	(742,367)	41,724	-
Balance at January 1, 2014	\$ (1,986,584)	35,170	(873,411)	36,271	(530,121)
Foreign currency translation differences (net of tax)	(141,224)	(12,906)	-	-	-
Unrealized gains (losses) on available-for- sale financial assets (net of tax)	-	-	146,100	(6,160)	-
Other-unearned compensation for restricted employee shares of stock	-	-	-	-	109,604
Balance at June 30, 2014	\$ (2,127,808)	22,264	(727,311)	30,111	(420,517)

(o) Share-based payment transactions

There were no significant difference in share-based payment transactions for the six-month periods ended June 30, 2013 and 2014. Please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2013 and for other related information.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(p) Earnings per share

January to June, 2013			
	Amount	Weighted-average number of outstanding shares of common stock	EPS (in dollars)
	(after income tax)	(in thousands)	(in dollars)
	NT\$		NT\$
Basic EPS — retroactively adjusted:			
Net profit belonging to common shareholders of parent company	\$ 3,353,962	2,339,776	<u><u>1.43</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	-	31,652	
Convertible bonds	<u>132,770</u>	<u>190,147</u>	
Net profit belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	\$ <u><u>3,486,732</u></u>	<u><u>2,561,575</u></u>	<u><u>1.36</u></u>
January to June, 2014			
	Amount	Weighted-average number of outstanding shares of common stock	EPS (in dollars)
	(after income tax)	(in thousands)	(in dollars)
	NT\$		NT\$
Basic EPS — retroactively adjusted:			
Net profit belonging to common shareholders of parent company	\$ 1,552,751	2,364,497	<u><u>0.66</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	-	28,343	
Restricted Stock Awards	<u>-</u>	<u>24,620</u>	
Net profit belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	\$ <u><u>1,552,751</u></u>	<u><u>2,417,460</u></u>	<u><u>0.64</u></u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	April to June, 2013		
	Amount	Weighted-average	
	(after income tax)	number of outstanding	EPS (in dollars)
	NT\$	(in thousands)	NT\$
Basic EPS—retroactively adjusted:			
Net profit belonging to common shareholders of parent company	\$ 1,740,405	2,342,233	<u><u>0.74</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees’ bonus	-	29,677	
Convertible bonds	<u>(41,499)</u>	<u>190,147</u>	
Net profit belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	\$ <u><u>1,698,906</u></u>	<u><u>2,562,057</u></u>	<u><u>0.66</u></u>
	April to June, 2014		
	Amount	Weighted-average	
	(after income tax)	number of outstanding	EPS (in dollars)
	NT\$	(in thousands)	NT\$
Basic EPS—retroactively adjusted:			
Net profit belonging to common shareholders of parent company	\$ 1,210,791	2,367,230	<u><u>0.51</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees’ bonus	-	25,611	
Restricted Stock Awards	<u>-</u>	<u>25,324</u>	
Net profit belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	\$ <u><u>1,210,791</u></u>	<u><u>2,418,165</u></u>	<u><u>0.50</u></u>

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

Unit : Thousand shares

	January to	January to	April to	April to
	June, 2013	June, 2014	June, 2013	June, 2014
Employee stock options	\$ (3,753)	(7,673)	(8,593)	(6,543)
Convertible bonds	<u>-</u>	<u>207,209</u>	<u>-</u>	<u>207,209</u>
	\$ <u><u>(3,753)</u></u>	<u><u>199,536</u></u>	<u><u>(8,593)</u></u>	<u><u>200,666</u></u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(q) Revenue and non-operating income and expenses

1. Revenue

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Computer, communication & consumer electronics	\$ 312,489,253	240,986,703	158,146,253	125,991,134
Others	<u>8,656,860</u>	<u>20,716,495</u>	<u>4,804,199</u>	<u>9,893,796</u>
	<u>\$ 321,146,113</u>	<u>261,703,198</u>	<u>162,950,452</u>	<u>135,884,930</u>

2. Other income

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Interest income	\$ 612,604	1,501,233	290,578	865,746
Dividend income	2,828	9,931	-	9,925
Rental income	<u>40,976</u>	<u>37,879</u>	<u>21,969</u>	<u>18,689</u>
	<u>\$ 656,408</u>	<u>1,549,043</u>	<u>312,547</u>	<u>894,360</u>

3. Other gains and losses

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Foreign exchange gains (losses), net	\$ 829,676	152,435	464,024	(569,202)
Gains (losses) on disposal of investments, net	69,959	7,006	692	733
Gains (losses) on disposal of property, plant and equipment net	(4,161)	(29,388)	5,922	(14,055)
Gains (losses) on valuation of financial liabilities by fair value, net—convertible bonds	142,101	19,741	181,247	49
Gains (losses) on valuation of financial assets and liabilities by fair value, net	47,721	(480,731)	6,572	219,177
Others	<u>72,648</u>	<u>155,305</u>	<u>55,504</u>	<u>55,147</u>
	<u>\$ 1,157,944</u>	<u>(175,632)</u>	<u>713,961</u>	<u>(308,151)</u>

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Finance costs

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Interest expenses				
Bank borrowings	\$ (670,328)	(875,133)	(329,273)	(453,471)
Amortization of discount for convertible bonds and issue cost	(277,495)	(302,657)	(141,072)	(153,080)
	<u>\$ (947,823)</u>	<u>(1,177,790)</u>	<u>(470,345)</u>	<u>(606,551)</u>

(r) Financial instrument

Except the statements as followings, there is no significant change in fair value of financial instrument and exposure to credit risk, liquidity risk and market risk change significantly. Please refer to the note 6(u) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

1. Credit risk

(1) Exposure of currency risk

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

	<u>2013.6.30</u>			<u>2013.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	64.64	USD/BRL=2.199	1,947	823.57	USD/BRL=2.357	24,666
	68.75	USD/COP=1,922.600	2,071	3,693.33	USD/COP=1,925.600	110,615
	21,215.08	USD/CZK=19.957	638,998	27,774.64	USD/CZK=19.890	831,851
	590.94	USD/INR=59.575	17,799	9.82	USD/EUR=0.725	294
	9,773.44	USD/JPY=98.880	294,376	25.02	USD/INR=61.790	749
	1,755.23	USD/MXN=12.997	52,867	4,458.73	USD/JPY=104.910	133,539
	4,877,427.93	USD/TWD=30.120	146,908,129	1,515.54	USD/MXN=13.075	45,390
	24,688.96	USD/CNY=6.141	743,631	1,520,446.92	USD/TWD=29.950	45,537,385
	5,848.59	USD/SGD=1.263	176,159	49,294.02	USD/CNY=6.058	1,476,356
				9,463.64	USD/SGD=1.265	283,436
				452.83	USD/TRY=2.117	13,562
CNY	201,857.00	CNY/TWD=4.905	990,068	513,825.83	CNY/TWD=4.944	2,540,304
	2,221,969.14	CNY/USD=0.163	10,898,314	3,726,980.83	CNY/USD=0.165	18,425,821
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	10,000.00	USD/BRL=2.199	301,200	10,006.12	USD/BRL=2.357	299,683
	3,215.00	USD/CZK=19.957	96,836	69.32	USD/COP=1,925.600	2,076
	8,776.00	USD/INR=59.575	264,333	7,716.89	USD/CZK=19.890	231,121
	7,000.00	USD/MXN=12.997	210,840	1,166.32	USD/INR=61.790	34,931
	2,998,211.47	USD/TWD=30.120	90,306,130	7,177.99	USD/MXN=13.075	214,981
	76,071.25	USD/CNY=6.141	2,291,266	3,462,935.07	USD/TWD=29.950	103,714,905
	8,000.00	USD/SGD=1.263	240,960	81,008.43	USD/CNY=6.058	2,426,203
				12,185.49	USD/SGD=1.265	364,955
CNY	-	-	-	86.00	CNY/TWD=4.944	425
	-	-	-	1,767,087.30	CNY/USD=0.165	8,736,303

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2014.6.30		
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	1,529.72	USD/BRL=2.197	45,762
	9,582.58	USD/COP=1,879.000	286,663
	33,446.54	USD/CZK=20.110	1,000,553
	437.00	USD/INR=60.060	13,073
	8,759.20	USD/JPY=101.480	262,032
	798.41	USD/MXN=12.986	23,884
	1,270,798.20	USD/TWD=29.915	38,015,928
	68,711.49	USD/CNY=6.198	2,055,504
	18,731.07	USD/SGD=1.250	560,340
	501.47	USD/TRY=2.124	15,001
CNY	24,857.55	CNY/TWD=4.826	119,975
	5,857,780.39	CNY/USD=0.161	28,272,577
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	10,002.43	USD/BRL=2.197	299,223
	2,069.32	USD/COP=1,879.000	61,904
	8,519.21	USD/CZK=20.110	254,852
	3,671.00	USD/INR=60.060	109,818
	66.14	USD/JPY=101.480	1,979
	6,155.08	USD/MXN=12.986	184,129
	3,044,696.75	USD/TWD=29.915	91,082,103
	69,343.12	USD/CNY=6.198	2,074,400
	50,929.55	USD/SGD=1.250	1,523,557
CNY	95.00	CNY/TWD=4.826	459
	2,406,218.73	CNY/USD=0.161	11,613,615

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

A Strengthening (weakening) 5 % of appreciation (depreciation) of the TWD against the USD and the CNY as of June 30, 2013 and 2014, would have increased (decreased) the net profit after tax by \$2,781,031 and \$1,516,192, respectively. The analysis assumes that all other variables remain constant.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Fair value

(1) Fair value and Carrying amounts

Aside from those listed as follows, the Group's management believes the carrying amounts of its financial assets and financial liabilities measured at amortized cost agreed to its fair value approximately.

	2013.6.30		2013.12.31		2014.6.30	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Bonds payable	\$ 7,730,436	8,431,485	7,972,109	8,467,411	8,265,155	8,523,701
Guarantee deposits	<u>397,743</u>	<u>371,830</u>	<u>496,287</u>	<u>467,986</u>	<u>502,904</u>	<u>470,842</u>
	\$ <u>8,128,179</u>	<u>8,803,315</u>	<u>8,468,396</u>	<u>8,935,397</u>	<u>8,768,059</u>	<u>8,994,543</u>

(2) Valuation techniques and assumptions used in fair value determination

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

- A. The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.
- B. The fair value of derivative instruments is based on quoted prices.
- C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(3) Discount rate to determine the Fair value

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

	January to June, 2013	January to June, 2014
Guarantee deposits	1.370%~1.415%	1.370%~1.415%
Bonds payable	1.533%~1.636%	1.404%~1.448%

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Fair value hierarchy

The table below analyses financial instruments measured at fair value, classified by measurement method. The definitions of fair value hierarchy were as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

As of June 30, 2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets	\$ 1,592,914	282,661	-	1,875,575
Financial assets at fair value through profit or loss	-	47,134	-	47,134
	<u>\$ 1,592,914</u>	<u>329,795</u>	<u>-</u>	<u>1,922,709</u>
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>125,622</u>	<u>-</u>	<u>125,622</u>
As of December 31, 2013				
Available-for-sale financial assets	\$ 1,578,056	318,894	-	1,896,950
Financial assets at fair value through profit or loss	-	824,030	-	824,030
	<u>\$ 1,578,056</u>	<u>1,142,924</u>	<u>-</u>	<u>2,720,980</u>
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>437,903</u>	<u>-</u>	<u>437,903</u>
As of June 30, 2014				
Available-for-sale financial assets	\$ 1,754,731	583,727	-	2,338,458
Financial assets at fair value through profit or loss	-	317,630	-	317,630
	<u>\$ 1,754,731</u>	<u>901,357</u>	<u>-</u>	<u>2,656,088</u>
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>394,273</u>	<u>-</u>	<u>394,273</u>

For the six-month period ended June 30, 2014, the available-for-sale financial assets measured at fair value with a carrying amount of \$0 were transferred from Level 1 to Level 2 because the fair value for such equity securities had become unavailable from the active market. Except for the aforementioned transfer, there was no transfer from each level for the six-month periods ended June 30, 2013 and 2014.

(s) Concentration of financial risk

The Group's objective of financial risk management and policies are the same as those disclosed in the note 6(v) of the consolidated financial statement for the year ended December 31, 2013.

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WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(t) Capital management

The Group's approaches to the targets, policies and procedures in capital management were the same as those disclosed in the consolidated financial statements for the year ended December 31, 2013. Also, there was no significant change in the Group's summarized quantitative information as disclosed in the consolidated financial statements for the year ended December 31, 2013. Please refer to the note 6(w) of the consolidated financial statements for the year ended December 31, 2013 and for other related information.

7. Related Party Transactions

a. Transactions with key management personnel

Key management personnel compensation:

	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>
Short-term employee benefits	\$ 23,894	24,751	11,543	12,988
Post-employment benefits	555	9,056	277	8,778
Directors' remuneration	30,833	13,833	15,833	9,999
Employee bonus	<u>40,021</u>	<u>19,588</u>	<u>20,551</u>	<u>14,160</u>
	<u>\$ 95,303</u>	<u>67,228</u>	<u>48,204</u>	<u>45,925</u>

b. Other significant related party transactions

1. Sales

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

	<u>Sales</u>				<u>Receivables from related parties</u>		
	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Associates	\$ <u>3,312,556</u>	<u>4,247,382</u>	<u>2,175,184</u>	<u>1,326,432</u>	<u>1,230,985</u>	<u>711,319</u>	<u>452,083</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.

(Continued)

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Purchases

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

	Purchases				Payables to related parties		
	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Associates	\$ <u>6,782,965</u>	<u>6,836,484</u>	<u>3,855,539</u>	<u>2,787,849</u>	<u>3,412,287</u>	<u>3,904,358</u>	<u>2,822,608</u>

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

3. Other income

	Amount				Other receivables from related parties		
	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Associates:							
Rental income	\$ 3,361	3,388	1,713	1,613	13	9	9
Property transactions	-	316	-	316	-	3,594	100
	\$ <u>3,361</u>	<u>3,704</u>	<u>1,713</u>	<u>1,929</u>	<u>13</u>	<u>3,603</u>	<u>109</u>

4. Operating expense and other

	Amount				Other payables to related parties		
	<u>January to June, 2013</u>	<u>January to June, 2014</u>	<u>April to June, 2013</u>	<u>April to June, 2014</u>	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Associates:							
Property transactions	\$ 27,502	73,780	17,754	54,081	7,457	78,200	60,457
Other related parties:							
Contribution	5,200	2,700	2,600	1,800	-	-	-
	\$ <u>32,702</u>	<u>76,480</u>	<u>20,354</u>	<u>55,881</u>	<u>7,457</u>	<u>78,200</u>	<u>60,457</u>

5. Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties were as follows:

	Other receivables from related parties		
	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Other receivables	\$ <u>15,689</u>	<u>3,648</u>	<u>10,826</u>

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WISTRON CORPORATION AND SUBSIDIARIES
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6. Advances from related parties

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

Other Payables to related parties			
	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Other payables	\$ <u>3,081</u>	<u>9,893</u>	<u>4,832</u>

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

	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Receivables from related parties, net:			
Notes and accounts receivable	\$ <u>1,230,985</u>	<u>711,319</u>	<u>452,083</u>
Other receivables — related parties:			
Rental receivable	\$ 13	9	9
Receivable from sale of property, plant and equipment	-	3,594	100
Other receivables	<u>15,689</u>	<u>3,648</u>	<u>10,826</u>
	\$ <u>15,702</u>	<u>7,251</u>	<u>10,935</u>

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

	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Payables from related parties, net:			
Notes and accounts payable	\$ <u>3,412,287</u>	<u>3,904,358</u>	<u>2,822,608</u>
Other payables — related parties:			
Payable to purchase of property, plant and equipment	\$ 7,457	78,200	60,457
Other payables	<u>3,081</u>	<u>9,893</u>	<u>4,832</u>
	\$ <u>10,538</u>	<u>88,093</u>	<u>65,289</u>

8. Pledged assets

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Property, plant and equipment-lands and buildings	Long-term borrowings	\$ 369,404	345,586	356,505
Other noncurrent assets -restricted bank deposit	Stand by L/C	2,019	9,751	9,725
Other noncurrent assets -restricted bank deposit	Custom guarantee	13,971	5,990	5,983
Other noncurrent assets -restricted bank deposit	Performance guarantee	26,387	26,597	25,965
Other noncurrent assets -restricted bank deposit	Litigation guarantee	<u>303</u>	<u>131</u>	<u>291</u>
		\$ <u>412,084</u>	<u>388,055</u>	<u>398,469</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Significant Commitments and Contingencies:

As of June 30, December 31, 2013, and June 30, 2014, the unused letters of credit were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2013</u>	<u>June 30, 2014</u>
Unused letters of credit	\$ <u>4,211</u>	<u>57,076</u>	<u>15,925</u>

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

- a. Total personnel, depreciation and amortization expenses categorized by function for the six-month periods ended June 30, 2013 and 2014 were as follows:

	January to June, 2013			January to June, 2014		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	4,668,905	3,676,413	8,345,318	5,484,805	4,256,633	9,741,438
Labor and health insurance	491,907	351,559	843,466	563,617	429,853	993,470
Pension	61,565	166,891	228,456	50,439	170,555	220,994
Others	1,669,091	274,368	1,943,459	987,004	463,428	1,450,432
Depreciation	2,168,859	1,353,736	3,522,595	2,395,458	1,441,264	3,836,722
Amortization	5,675	185,568	191,243	4,722	181,920	186,642

	April to June, 2013			April to June, 2014		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	2,427,360	1,897,049	4,324,409	2,903,724	2,197,522	5,101,246
Labor and health insurance	268,801	182,228	451,029	292,459	208,718	501,177
Pension	32,347	85,178	117,525	24,812	85,894	110,706
Others	820,471	126,850	947,321	508,500	222,836	731,336
Depreciation	1,135,857	695,586	1,831,443	1,207,615	711,558	1,919,173
Amortization	2,949	93,910	96,859	2,082	92,648	94,730

- b. Operation seasonal factors

The operation of the Group is neither seasonal nor cyclical.