

**WISTRON CORPORATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 and 2016
(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

To the Board of Directors
Wistron Corporation:

We have reviewed the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016. 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 review.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2017

Notes to Readers

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2017, December 31, and September 30, 2016

(expressed in thousands of New Taiwan dollars)

Assets		September 30, 2017		December 31, 2016		September 30, 2016		Liabilities and Equity		September 30, 2017		December 31, 2016		September 30, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 59,318,428	18	57,561,050	21	67,612,721	23	2100	Short-term loans (notes 6(j) and 8)	\$ 77,000,511	23	44,762,259	16	68,888,885	23
1110	Financial assets at fair value through profit or loss-current (note 6(b))	220,221	-	258,924	-	38,101	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	107,212	-	25,130	-	795,318	-
1125	Available-for-sale financial assets-current (note 6(b))	915,551	-	756,632	-	790,630	-	2170	Notes and accounts payable	141,568,218	42	123,035,225	44	114,306,507	39
1170	Notes and accounts receivable, net (note 6(c))	102,168,294	31	89,727,482	32	82,688,948	28	2180	Accounts payable-related parties (note 7)	1,022,051	-	1,186,708	-	1,543,010	-
1180	Accounts receivable-related parties (notes 6(c) and 7)	27,377	-	5,769	-	238,823	-	2220	Other payables-related parties (note 7)	11,591	-	43,254	-	30,561	-
1210	Other receivables-related parties (notes 6(c) and 7)	2,085	-	4,678	-	11,818	-	2250	Provisions (note 6(k))	2,008,057	1	2,140,679	1	1,960,655	1
1220	Current tax assets	1,935,507	1	1,163,657	-	1,795,437	1	2322	Current portion of long-term loans (notes 6(j) and 8)	6,893,850	2	1,441,160	-	1,861,915	1
130X	Inventories (note 6(d))	94,332,429	28	65,216,279	23	72,688,505	25	2399	Other current liabilities (note 6(k))	29,364,007	9	24,818,792	9	20,365,347	7
1476	Other financial assets-current	164,394	-	255,943	-	3,076,132	1		Total current liabilities	257,975,497	77	197,453,207	70	209,752,198	71
1479	Other current assets (notes 6(c)(i) and 8)	15,932,604	5	10,706,317	4	9,673,782	3		Non-current liabilities:						
	Total current assets	275,016,890	83	225,656,731	80	238,614,897	81	2540	Long-term loans (notes 6(j) and 8)	3,030,683	1	11,567,720	4	12,651,527	4
Non-current assets:								2570	Deferred tax liabilities	4,051,567	1	3,746,258	1	4,814,220	2
1523	Available-for-sale financial assets-non-current (note 6(b))	3,023,898	1	2,802,720	1	2,989,406	1	2600	Other non-current liabilities	1,807,946	1	2,019,924	1	1,988,265	1
1543	Financial assets carried at cost-non-current (note 6(b))	1,617,230	-	1,539,065	1	1,487,566	1		Total non-current liabilities	8,890,196	3	17,333,902	6	19,454,012	7
1550	Equity-accounted investees (notes 6(e)(f))	6,002,437	2	5,928,289	2	6,111,749	2		Total liabilities	266,865,693	80	214,787,109	76	229,206,210	78
1600	Property, plant and equipment (notes 6(g), 7 and 8)	36,935,984	11	36,448,176	13	35,233,687	12	Equity attributable to owners of parent (notes 6(n)(o)(p)):							
1780	Intangible assets (note 6(h))	1,088,244	-	1,247,465	-	1,256,052	-	3110	Capital stock	27,498,607	8	26,503,165	9	26,521,362	9
1840	Deferred tax assets	5,959,901	2	4,991,405	2	5,572,703	2	3200	Capital surplus	22,086,069	7	21,353,585	8	21,396,065	7
1990	Other non-current assets (notes 6(i) and 8)	2,959,206	1	4,141,707	1	3,211,787	1	3300	Retained earnings	19,801,019	6	21,344,172	8	20,043,174	7
	Total non-current assets	57,586,900	17	57,098,827	20	55,862,950	19	3400	Other equity interest	(2,753,663)	(1)	636,406	-	(498,753)	-
								3500	Treasury stock	(1,970,714)	-	(2,592,278)	(1)	(2,786,965)	(1)
									Total equity attributable to owners of parent:	64,661,318	20	67,245,050	24	64,674,883	22
								36XX	Non-controlling interests	1,076,779	-	723,399	-	596,754	-
									Total equity	65,738,097	20	67,968,449	24	65,271,637	22
	Total assets	\$ 332,603,790	100	282,755,558	100	294,477,847	100		Total liabilities and equity	\$ 332,603,790	100	282,755,558	100	294,477,847	100

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods and the nine-month periods ended September 30, 2017 and 2016

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

		For the three-month periods ended September 30				For the nine-month periods ended September 30			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Net revenues (notes 6(k)(r) and 7)	\$ 212,232,039	100	168,538,221	100	574,478,335	100	449,860,980	100
5000	Cost of sales (notes 6(d)(k)(l)(m)(s), 7 and 12)	<u>203,889,936</u>	<u>96</u>	<u>160,870,035</u>	<u>96</u>	<u>552,188,409</u>	<u>96</u>	<u>427,227,590</u>	<u>95</u>
5900	Gross profit	<u>8,342,103</u>	<u>4</u>	<u>7,668,186</u>	<u>4</u>	<u>22,289,926</u>	<u>4</u>	<u>22,633,390</u>	<u>5</u>
Operating expenses (notes 6(l)(m)(s), 7 and 12):									
6100	Selling	2,017,234	1	2,307,523	2	5,824,514	1	6,601,232	2
6200	Administrative	815,602	-	680,414	-	2,109,111	-	2,183,936	-
6300	Research and development	<u>3,833,354</u>	<u>2</u>	<u>3,397,108</u>	<u>2</u>	<u>10,755,517</u>	<u>2</u>	<u>10,089,352</u>	<u>2</u>
	Total operating expenses	<u>6,666,190</u>	<u>3</u>	<u>6,385,045</u>	<u>4</u>	<u>18,689,142</u>	<u>3</u>	<u>18,874,520</u>	<u>4</u>
	Operating income	<u>1,675,913</u>	<u>1</u>	<u>1,283,141</u>	-	<u>3,600,784</u>	<u>1</u>	<u>3,758,870</u>	<u>1</u>
Non-operating income and expenses:									
7010	Other income (notes 6(l)(r) and 7)	438,533	-	367,106	-	995,589	-	821,170	-
7020	Other gains and losses (note 6(r))	22,090	-	(417,816)	-	514,434	-	(1,031,608)	-
7050	Finance costs (note 6(r))	(815,574)	-	(528,818)	-	(1,888,429)	-	(1,435,026)	-
7060	Recognized share of associates and joint ventures accounted for equity method (note 6(e))	<u>102,872</u>	-	<u>93,708</u>	-	<u>243,762</u>	-	<u>200,452</u>	-
	Total non-operating income and expenses	<u>(252,079)</u>	-	<u>(485,820)</u>	-	<u>(134,644)</u>	-	<u>(1,445,012)</u>	-
7900	Profit before tax	<u>1,423,834</u>	<u>1</u>	<u>797,321</u>	-	<u>3,466,140</u>	<u>1</u>	<u>2,313,858</u>	<u>1</u>
7950	Less: income tax expense (note 6(n))	<u>364,969</u>	-	<u>295,508</u>	-	<u>872,637</u>	-	<u>789,283</u>	-
8200	Net profit	<u>1,058,865</u>	<u>1</u>	<u>501,813</u>	-	<u>2,593,503</u>	<u>1</u>	<u>1,524,575</u>	<u>1</u>
Other comprehensive income (notes 6(e)(n)(o)):									
8360	Components of other comprehensive income that will be reclassified to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	(28,943)	-	(1,849,255)	(1)	(3,213,215)	(1)	(3,354,337)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	445	-	88,680	-	(258,503)	-	87,938	-
8370	Share of other comprehensive income of associates and joint ventures accounted for equity method	(9,139)	-	(78,631)	-	(39,265)	-	(118,865)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>1,729</u>	-	<u>6,487</u>	-	<u>(5,559)</u>	-	<u>(6,027)</u>	-
	Other comprehensive income, net of tax	<u>(39,366)</u>	-	<u>(1,845,693)</u>	<u>(1)</u>	<u>(3,505,424)</u>	<u>(1)</u>	<u>(3,379,237)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 1,019,499</u>	<u>1</u>	<u>(1,343,880)</u>	<u>(1)</u>	<u>(911,921)</u>	-	<u>(1,854,662)</u>	-
Net profit attributable to:									
8610	Owners of parent	\$ 918,591	1	511,651	-	2,282,578	1	1,510,878	1
8620	Non-controlling interests	<u>140,274</u>	-	<u>(9,838)</u>	-	<u>310,925</u>	-	<u>13,697</u>	-
		<u>\$ 1,058,865</u>	<u>1</u>	<u>501,813</u>	-	<u>2,593,503</u>	<u>1</u>	<u>1,524,575</u>	<u>1</u>
Comprehensive income attributable to:									
8710	Owners of parent	\$ 878,942	1	(1,332,875)	(1)	(1,221,212)	-	(1,866,057)	-
8720	Non-controlling interests	<u>140,557</u>	-	<u>(11,005)</u>	-	<u>309,291</u>	-	<u>11,395</u>	-
	Total comprehensive income	<u>\$ 1,019,499</u>	<u>1</u>	<u>(1,343,880)</u>	<u>(1)</u>	<u>(911,921)</u>	-	<u>(1,854,662)</u>	-
Earnings per share (in dollars), after tax (note 6(q))									
9750	Basic earnings per share	<u>\$ 0.35</u>		<u>0.20</u>		<u>0.87</u>		<u>0.59</u>	
9850	Diluted earnings per share	<u>\$ 0.34</u>		<u>0.20</u>		<u>0.86</u>		<u>0.58</u>	

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2017 and 2016
(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent														Non-controlling interests	Total equity
	Total stock		Retained earnings					Other equity interest								
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings subtotal	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on available-for-sale financial assets	Other unearned compensation for restricted employee share of stock	Subtotal	Treasury stock	Total				
Balance at January 1, 2016	\$ 25,554,824	20,707,328	7,161,606	1,394,277	13,606,494	22,162,377	3,442,745	(408,196)	(22,389)	3,012,160	(2,721,183)	68,715,506	501,707	69,217,213		
Net profit	-	-	-	-	1,510,878	1,510,878	-	-	-	-	-	1,510,878	13,697	1,524,575		
Other comprehensive income	-	-	-	-	-	-	(3,494,310)	117,375	-	(3,376,935)	-	(3,376,935)	(2,302)	(3,379,237)		
Total comprehensive income	-	-	-	-	1,510,878	1,510,878	(3,494,310)	117,375	-	(3,376,935)	-	(1,866,057)	11,395	(1,854,662)		
Appropriation and distribution of retained earnings:																
Legal reserve	-	-	133,409	-	(133,409)	-	-	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	(2,905,344)	(2,905,344)	-	-	-	-	-	(2,905,344)	-	(2,905,344)		
Stock dividends	726,336	-	-	-	(726,336)	(726,336)	-	-	-	-	-	-	-	-		
Reversal of special reserve	-	-	-	(1,394,277)	1,394,277	-	-	-	-	-	-	-	-	-		
New share issued through employee's compensation	240,202	255,813	-	-	-	-	-	-	-	-	-	496,015	-	496,015		
Changes in equity of associates and joint ventures accounted for using equity method	-	150,173	-	-	(29)	(29)	-	-	-	-	-	150,144	-	150,144		
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(533,236)	(533,236)	-	(533,236)		
Treasury stock transferred to employees	-	15,012	-	-	-	-	-	-	-	-	467,454	482,466	-	482,466		
Changes in ownership interests in subsidiaries	-	5,825	-	-	-	-	-	-	-	-	-	5,825	-	5,825		
Share-based payment transactions	-	261,914	-	-	1,628	1,628	-	-	(133,978)	(133,978)	-	129,564	-	129,564		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	83,652	83,652		
Balance at September 30, 2016	\$ 26,521,362	21,396,065	7,295,015	-	12,748,159	20,043,174	(51,565)	(290,821)	(156,367)	(498,753)	(2,786,965)	64,674,883	596,754	65,271,637		
Balance at January 1, 2017	\$ 26,503,165	21,353,585	7,295,015	-	14,049,157	21,344,172	1,201,427	(451,300)	(113,721)	636,406	(2,592,278)	67,245,050	723,399	67,968,449		
Net profit	-	-	-	-	2,282,578	2,282,578	-	-	-	-	-	2,282,578	310,925	2,593,503		
Other comprehensive income	-	-	-	-	-	-	(3,239,571)	(264,219)	-	(3,503,790)	-	(3,503,790)	(1,634)	(3,505,424)		
Total comprehensive income	-	-	-	-	2,282,578	2,282,578	(3,239,571)	(264,219)	-	(3,503,790)	-	(1,221,212)	309,291	(911,921)		
Appropriation and distribution of retained earnings:																
Legal reserve	-	-	296,110	-	(296,110)	-	-	-	-	-	-	-	-	-		
Cash dividends	-	-	-	-	(3,042,169)	(3,042,169)	-	-	-	-	-	(3,042,169)	-	(3,042,169)		
Stock dividends	760,542	-	-	-	(760,542)	(760,542)	-	-	-	-	-	-	-	-		
New share issued through employee's compensation	234,900	380,540	-	-	-	-	-	-	-	-	-	615,440	-	615,440		
Changes in equity of associates and joint ventures accounted for using equity method	-	59,781	-	-	-	-	-	-	-	-	-	59,781	-	59,781		
Treasury stock transferred to employees	-	(22,051)	-	-	(21,465)	(21,465)	-	-	-	-	621,564	578,048	-	578,048		
Changes in ownership interests in subsidiaries	-	-	-	-	(2,904)	(2,904)	-	-	-	-	-	(2,904)	-	(2,904)		
Share-based payment transactions	-	314,214	-	-	1,349	1,349	-	-	113,721	113,721	-	429,284	-	429,284		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	44,089	44,089		
Balance at September 30, 2017	\$ 27,498,607	22,086,069	7,591,125	-	12,209,894	19,801,019	(2,038,144)	(715,519)	-	(2,753,663)	(1,970,714)	64,661,318	1,076,779	65,738,097		

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	For the nine-month periods ended September 30	
	2017	2016
Cash flows from operating activities:		
Profit before tax	\$ 3,466,140	2,313,858
Adjustments to reconcile net income to net cash generated from (used in) operating activities:		
Depreciation expense	5,735,745	5,773,029
Amortization expense	240,814	331,312
Bad debt expense (reversal of bad debts)	(31,887)	93,855
Net loss on financial assets or liabilities at fair value through profit or loss	120,785	2,028,760
Interest expense	1,888,429	1,435,026
Interest income	(794,321)	(621,066)
Dividend income	(135,810)	(106,028)
Compensation cost arising from shares-based payment	436,241	130,534
Recognized share of associates and joint ventures accounted for equity method	(243,762)	(200,452)
Loss on disposal of property, plant and equipment	29,754	203,172
Property, plant and equipment reclassified as expenses	5,533	294
Other assets reclassified as expense	47,890	42,583
Gain on disposal of intangible assets	-	(72,753)
Gain on disposal of investments	(56,206)	(9,919)
Other investments loss	2,362	41,103
Impairment loss on assets	111,156	214,530
	<u>7,356,723</u>	<u>9,283,980</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable	(14,582,695)	6,186,350
Decrease (increase) in accounts receivable-related parties	(209,617)	1,237,975
Decrease in other receivable-related parties	24,516	130
Increase in inventories	(32,132,330)	(8,598,402)
Decrease (increase) in other current assets	(5,046,789)	99,173
Total changes in operating assets	<u>(51,946,915)</u>	<u>(1,074,774)</u>
Changes in operating liabilities:		
Increase in notes and accounts payable	22,962,392	18,750,195
Decrease in accounts payable-related parties	(908,528)	(606,675)
Decrease in other payable-related parties	(306,844)	(44,002)
Decrease in provisions	(132,521)	(127,004)
Increase in other current liabilities	5,465,837	3,890,391
Increase (decrease) in other non-current liabilities	40,124	(325,438)
Total changes in operating liabilities	<u>27,120,460</u>	<u>21,537,467</u>
Net changes in operating assets and liabilities	<u>(24,826,455)</u>	<u>20,462,693</u>
Total changes in operating assets and liabilities	<u>(17,469,732)</u>	<u>29,746,673</u>
Cash generated from (used in) operations	(14,003,592)	32,060,531
Interest received	829,477	610,623
Dividends received	504,118	468,224
Interest paid	(1,874,696)	(1,480,516)
Income taxes paid	(2,234,338)	(1,784,322)
Net cash generated from (used in) operating activities	<u>(16,779,031)</u>	<u>29,874,540</u>
Cash flows used in investing activities:		
Decrease in other receivable-related parties	3,167	3,766
Increase in available-for-sale financial assets	(7,940,259)	(3,843,686)
Proceeds from disposal of available-for-sale financial assets	7,323,224	2,930,388
Increase in financial assets at cost	(189,089)	(301,299)
Return of capital of financial assets at cost	13,549	60,779
Increase in equity-accounted investees	(210,397)	(119,971)
Proceeds from disposal of equity-accounted investees	18	98,641
Increase in property, plant and equipment	(5,614,426)	(4,257,228)
Proceeds from disposal of property, plant and equipment	21,200	349,527
Increase in intangible assets	(82,016)	(358,786)
Proceeds from disposal of intangible assets	-	306,728
Increase in refundable deposits	(62,533)	(796)
Decrease (increase) in other financial assets—current	81,697	(3,197,015)
Increase in other current assets	(305,108)	-
Increase in other non-current assets	(1,204,728)	(1,401,875)
Cash out flow through the change in consolidated entities	-	(128,497)
Net cash flows used in investing activities	<u>(8,165,701)</u>	<u>(9,859,324)</u>
Cash flows generated from (used in) financing activities:		
Increase of short-term loans	418,592,007	299,570,178
Repayments of short-term loans	(384,673,949)	(306,093,307)
Increase in long-term loans	7,397,310	5,460,349
Repayments of long-term loans	(10,481,657)	(5,173,864)
Decrease in deposits received	(246,019)	(45,192)
Cash dividends to shareholders	(3,040,820)	(2,903,716)
Purchase of treasury stock	-	(533,236)
Treasury stock transferred to employees	578,048	482,466
Changes in non-controlling interests	32,879	325,148
Net cash flows generated from (used in) financing activities	<u>28,157,799</u>	<u>(8,911,174)</u>
Effect of exchange rate changes	<u>(1,455,689)</u>	<u>(2,051,075)</u>
Net increase in cash and cash equivalents	<u>1,757,378</u>	<u>9,052,967</u>
Cash and cash equivalents at beginning of periods	<u>57,561,050</u>	<u>58,559,754</u>
Cash and cash equivalents at end of periods	<u>\$ 59,318,428</u>	<u>\$ 67,612,721</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2017 and 2016
(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated interim financial statements for the nine-month periods ended September 30, 2017 and 2016 were authorized for issuance by the Board of Directors on November 10, 2017.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements - Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendments to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Impairment of Non - Financial assets- Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 “Financial Instruments - Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The adoption of the above IFRSs did not have any material impact on the accompanying consolidated interim financial statements.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

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

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

(i) IFRS 9 “Financial Instruments”

1) Classification and measurement of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and financial assets available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Based on its preliminary assessment, the Group believe that the new classification requirements, if applied at September 30, 2017, would not have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. As of September 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$3,023,898. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

2) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework by one single model through five procedures for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the sales of products, revenue is currently recognized based on the individual terms of each sales agreement when (i) related risks and rewards of ownership are transferred (ii) sales and costs can be measured reliably and their recoverability is probable (iii) and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control over the goods. The Group assessed that the point at which the risks and rewards of ownership transfer and customers obtain controls are the same and would not have any material impact on its consolidated financial statements.

The Group provides warranties for different categories of products. The warranty provision is currently estimated based on the probability of repair or replacement of the products. Under IFRS 15, the warranties are identified as assurance-type warranties and service-type warranties; if the the Group provide the service-type warranties, that warranties should be accounted for as a separate performance obligation. The Group identified the warranties as standard and service-type; and therefore it also assessed that they would not have any material impact on its consolidated financial statements.

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Those which may be relevant to the Group are set out below:

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

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

(4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and 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 consolidated financial statements.

(b) Basis of preparation

The principle of preparation of the consolidated interim financial statements is the same as the consolidated financial statements for the year ended December 31, 2016. Please refer to the note 4(c) of the consolidated financial statements for other related information.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(i) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
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	Wistron Technology (Malaysia) Sdn. Bhd. ("WMY", Malaysia)	100.00	100.00	100.00
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 Republic)	100.00	100.00	100.00
the Company/WLB/WCL	Wiwynn Corporation ("WYHQ", Taiwan)	58.68	60.56	66.17
Cowin/AIIH	Wistron InfoComm (Zhongshan) Corporation ("WZS", China)	100.00	100.00	100.00
AIIH	All Technology (Zhongshan) Co., Ltd. ("ATZS", China)	(Note 1)	100.00	100.00
Win Smart	Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", 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
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	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
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
WYHQ	Wiwynn Technology Service Japan, Inc. ("WYJP", Japan)	58.68	60.56	66.17
WYHQ	Wiwynn International Corporation ("WYUDE", U.S.A.)	58.68	60.56	66.17
WYHQ	Wiwynn Korea Ltd. ("WYKR", South Korea)	58.68	60.56	66.17
WYHQ	WIWYNN TECHNOLOGY SERVICE MALAYSIA SDN. BHD. ("WYMY", Malaysia)	58.68	-	-
WYHK	Wiwynn Technology Service Kunshan, Ltd. ("WYKS", China)	58.68	60.56	66.17
WMH	Wistron Medical Technology Corporation ("WMT", Taiwan)	100.00	100.00	100.00
WMT	Wistron Medical Tech (Chongqing) Co., Ltd. ("WMCQ", China)	100.00	100.00	-

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
the Company	Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	100.00	100.00	100.00
the Company	All Holding Corporation ("AIH", British Virgin Islands)	100.00	100.00	100.00
the Company	SMS InfoComm Corporation ("WTX", U.S.A.)	100.00	100.00	100.00
the Company	WiAdvance Technology Corporation ("AGI", Taiwan)	99.95	99.95	99.95
the Company	Anwith Technology Corporation ("WCHQ", Taiwan)	100.00	100.00	100.00
the Company	SMS InfoComm (Singapore) Pte. Ltd. ("WSSG", Singapore)	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 C.V. ("WSMX", Mexico)	100.00	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	100.00	100.00	100.00
the Company	ANWITH SERVICE CO., LTD. ("WSTH", Thailand)	100.00	100.00	100.00
the Company	Anwith Corporation ("ANC", U.S.A.)	100.00	100.00	100.00
the Company	SMS Infocomm Global Service (CQ) ("WSCQ", China)	100.00	100.00	-
the Company	SMS InfoComm Chile Servicios Limitada ("WSCL", Chile)	100.00	100.00	-
the Company/AIHH	SMS InfoComm Technology Services and Management Solutions Ltd. ("WBR", Brazil)	100.00	100.00	100.00
the Company/WCL	SMS InfoComm Technology Services Limited Company ("WTR", Turkey)	100.00	100.00	100.00
WLLC	Wistron InfoComm Technology (America) Corporation ("WITX", U.S.A.)	100.00	100.00	100.00
WLLC	Wistron InfoComm Technology (Texas) Corporation ("WITT", 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 Optonics (Shanghai) Co., Ltd. ("WOSH", China)	100.00	100.00	100.00
AIHH	Wistron K.K. ("WJP", Japan)	100.00	100.00	100.00
WSSG/WHK	ICT Service Management Solutions (India) Private Limited ("WIN", India)	100.00	100.00	100.00
WSSG	SMS INFOCOMM (MALAYSIA) SDN. BHD. ("WSMY", Malaysia)	100.00	100.00	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

- 3) Subsidiaries which are engaged in software research, development, design, trading and consultation:

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
AIHH	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	100.00	100.00	100.00
WEDH	WIEDU SDN. BHD. ("WEMY", Malaysia)	100.00	100.00	100.00

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4) Subsidiaries which are engaged in recycling of electronic products:

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
the Company	Wistron GreenTech (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

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

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
the Company	WiEdu Hong Kong Limited (“WEHK”, Hong Kong)	100.00	81.27	81.27
WEHK	WIEDU CORPORATION (“WETW”, Taiwan)	100.00	81.27	81.27
WEHK	Weshtek Information Technology Services Co., Ltd., Shanghai (“WESH”, China)	100.00	81.27	81.27

6) Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership		
		September 30, 2017	December 31, 2016	September 30, 2016
the Company	Wise Cap Limited Company (“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	WisVision Corporatoin (“WVS”, British Virgin Islands)	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	WiEDU Holding Co., Ltd (“WEDH”, Seychelles)	100.00	100.00	100.00
the Company	WiseCap (Hong Kong) Limited (“WCHK”, Hong Kong)	100.00	100.00	100.00
WCL	LE BEN Investment Ltd (“WLB”, Taiwan)	100.00	100.00	100.00
the Company/AIIH	Wistron Europe Holding Cooperatie U.A. (“WEH”, Holland)	100.00	100.00	100.00
AIIH	WinDisplay Corporation (“WDC”, British Virgin Islands)	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)	58.68	60.56	66.17
the Company	Wistron Medical Tech Holding Company (“WMH”, Taiwan)	100.00	100.00	100.00
the Company	Wistron Digital Technology Holding Corporation (“WDH”, Taiwan)	100.00	100.00	100.00

(Note 1) WZS merged with ATZS in the first quarter of 2017. WZS was the surviving company and ATZS had been liquidated.

(ii) Subsidiaries excluded from consolidated: None.

(c) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2016.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of the 2016 annual consolidated financial statements:

(a) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 29,974	39,939	21,891
Demand and check deposits	32,620,575	45,338,202	47,358,107
Time deposits	<u>28,905,137</u>	<u>13,485,878</u>	<u>21,302,134</u>
Cash and cash equivalents	61,555,686	58,864,019	68,682,132
Bank overdrafts used for cash management purposes	<u>(2,237,258)</u>	<u>(1,302,969)</u>	<u>(1,069,411)</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 59,318,428</u></u>	<u><u>57,561,050</u></u>	<u><u>67,612,721</u></u>

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Financial assets

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Foreign currency swap contracts	\$ 134,851	254,515	23,386
Foreign currency forward contracts	85,370	4,409	14,715
	<u>\$ 220,221</u>	<u>258,924</u>	<u>38,101</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
Foreign currency swap contracts	\$ 15,772	19,071	741,216
Foreign currency forward contracts	91,440	6,059	54,102
	<u>\$ 107,212</u>	<u>25,130</u>	<u>795,318</u>

Re-measurement at fair value recognized in profit or loss is disclosed in note (r).

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. As of September 30, 2017, December 31 and September 30, 2016, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

September 30, 2017		December 31, 2016	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
USD <u>502,000</u>	TWD Put / USD Call	USD <u>1,365,000</u>	TWD Put / USD Call
USD <u>204,000</u>	USD Put / TWD Call	USD <u>27,000</u>	USD Put / TWD Call
EUR <u>20,500</u>	EUR Put / USD Call		
September 30, 2016			
Amount (in thousands)	Currency		
USD <u>951,000</u>	TWD Put / USD Call		
USD <u>5,000</u>	USD Put / TWD Call		
USD <u>108,000</u>	USD Put / CNY Call		

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Foreign currency forward contracts:

September 30, 2017		December 31, 2016	
Amount	Currency	Amount	Currency
(in thousands)		(in thousands)	
USD <u>407,000</u>	TWD Put / USD Call		
USD <u>6,000</u>	USD Put / TWD Call	USD <u>74,000</u>	USD Put / TWD Call
USD <u>257,000</u>	USD Put / CNY Call	USD <u>15,000</u>	USD Put / CNY Call
September 30, 2016			
Amount	Currency		
(in thousands)			
USD <u>603,000</u>	TWD Put / USD Call		
USD <u>79,000</u>	USD Put / TWD Call		

(ii) Available-for-sale financial assets

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

	September 30,	December 31,	September 30,
	2017	2016	2016
Funds	\$ <u>915,551</u>	<u>756,632</u>	<u>790,630</u>

2) Available-for-sale financial assets-non-current:

	September 30,	December 31,	September 30,
	2017	2016	2016
Investment in listed securities:			
Stock listed on domestic markets	\$ 1,954,105	2,228,090	2,378,495
Stock listed on foreign markets	793	485	558
Convertible bonds	-	-	20,070
Investment in unlisted securities:			
Stock unlisted on domestic markets	158,247	108,578	110,939
Stock unlisted on foreign markets	<u>910,753</u>	<u>465,567</u>	<u>479,344</u>
	\$ <u>3,023,898</u>	<u>2,802,720</u>	<u>2,989,406</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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Sensitivity analysis-equity price risk

Equity price change would have the impact on other comprehensive income (after tax) as follows. The basis of analysis used are the same in both periods and assumes that all other variables remain constant.

Price of securities at reporting date	January to September, 2017	January to September, 2016
Increasing 3%	\$ <u>80,906</u>	<u>79,246</u>
Decreasing 3%	\$ <u>(80,906)</u>	<u>(79,246)</u>

Gain from disposal of equity investment is disclosed at note (r).

Gain or loss arising from re-measurement as fair value recognized in other comprehensive income is disclosed in note (o).

(iii) Financial assets carried at cost-non-current:

	September 30, 2017	December 31, 2016	September 30, 2016
Stock unlisted on domestic markets	\$ 170,000	170,000	170,000
Stock unlisted on foreign markets	658,234	730,872	696,683
Others	<u>788,996</u>	<u>638,193</u>	<u>620,883</u>
	\$ <u>1,617,230</u>	<u>1,539,065</u>	<u>1,487,566</u>

(iv) As of September 30, 2017, December 31 and September 30, 2016 the financial assets were not pledged.

(c) Notes and accounts receivable and other receivables

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	\$ 574,213	2,743	313
Accounts receivable	102,384,406	90,546,481	83,412,776
Accounts receivable-related parties	27,377	5,769	238,823
Other current assets-other receivables	8,298,203	6,103,401	4,765,534
Other receivables-related parties	2,085	4,678	11,818
Less: allowance for doubtful accounts	<u>(790,325)</u>	<u>(821,742)</u>	<u>(724,141)</u>
	\$ <u>110,495,959</u>	<u>95,841,330</u>	<u>87,705,123</u>

(Continued)

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

	September 30, 2017	December 31, 2016	September 30, 2016
Past due 0~30 days	\$ 1,088,333	2,639,922	292,422
Past due 31~60 days	78,760	54,752	110,151
Past due 61~90 days	23,366	56,612	19,016
Past due 91~120 days	6,832	37,147	104,852
Past due over 120 days	208,781	242,422	455,911
	<u>\$ 1,406,072</u>	<u>3,030,855</u>	<u>982,352</u>

The Group believed that the receivables past due but not impaired were recoverable basing on historical default rates and analysis of clients' credit rating.

For the nine-month periods ended September 30, 2017 and 2016, the movements of allowance for doubtful accounts with respect to notes and accounts receivable, accounts receivable-related parties, other current assets-other receivable and other receivable-related parties were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	\$ 622,827	198,915	821,742
Impairment (reversal of) loss recognized	(33,062)	1,175	(31,887)
Written off unrecoverable amount	(34)	-	(34)
Effect of changes in foreign exchange rates	510	(6)	504
Balance at September 30, 2017	<u>\$ 590,241</u>	<u>200,084</u>	<u>790,325</u>
Balance at January 1, 2016	\$ 731,378	23,451	754,829
Effect of changes in consolidated entities	(102,715)	(22,364)	(125,079)
Impairment loss recognized	500	93,355	93,855
Reclassification	350	(350)	-
Effect of changes in foreign exchange rates	536	-	536
Balance at September 30, 2016	<u>\$ 630,049</u>	<u>94,092</u>	<u>724,141</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group assesses the impairment losses of the notes receivables, accounts receivables, accounts receivables-related parties, other current assets-other receivables and other receivables-related parties both individually and collectively. The Group evaluated the historical trends, recovery terms and the losses of the default possibility of the receivables; and the management of the Group accrued the allowance for doubtful accounts according to current economic condition and credit. Impairment loss recognized for individually assessed is the difference between the carrying amount and the present value of estimated future cash flows. The Group does not hold any collateral for the collectible amounts.

As of September 30, 2017, December 31 and September 30, 2016, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

September 30, 2017					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 2,646,782	4,518,928	2,442,943	691,000	Without recourse	2,485,311
December 31, 2016					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 2,972,929	3,003,054	2,585,339	1,321,000	Without recourse	2,656,909
September 30, 2016					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 2,407,092	3,050,421	2,107,393	1,771,000	Without recourse	2,170,905

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 September 30, 2017, December 31 and September 30, 2016, the amounts among the factored accounts receivable of \$1,283,994, \$2,310,208 and \$1,992,117 respectively, which were yet to be factored by banks since the ownership and the significant risks were not transferred, therefore, they were included in “other current assets” in the accompanying balance sheets.

For the nine-month periods ended September 30, 2017 and 2016, the average annual interest rates on factored accounts receivable were 1.38%~2.39% to and 1.10%~1.89%, respectively.

As of September 30, 2017, December 31 and September 30, 2016, the notes and accounts receivable were not pledged.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Inventories

	September 30, 2017	December 31, 2016	September 30, 2016
Raw materials	\$ 34,491,601	25,107,842	26,912,692
Work in progress	13,160,323	6,156,413	14,086,454
Finished goods	32,864,735	23,709,456	19,169,047
Inventory in transit	<u>13,815,770</u>	<u>10,242,568</u>	<u>12,520,312</u>
	<u>\$ 94,332,429</u>	<u>65,216,279</u>	<u>72,688,505</u>

For the nine-month periods ended September 30, 2017 and 2016, the write-downs of inventories to the net realized value and unallocated manufacturing overhead were as follows:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Loss on valuation of inventories and obsolescence and scrap loss	\$ 1,094,844	1,533,128	3,458,178	4,446,560
Unallocated manufacturing overhead	<u>247,990</u>	<u>111,930</u>	<u>688,508</u>	<u>722,245</u>
	<u>\$ 1,342,834</u>	<u>1,645,058</u>	<u>4,146,686</u>	<u>5,168,805</u>

As of September 30, 2017, December 31, and September 30, 2016, the inventories were not pledged.

(e) Equity-accounted investees

As of September 30, 2017, December 31 and September 30, 2016, the components of investments accounted for using the equity method were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Associates	<u>\$ 6,002,437</u>	<u>5,928,289</u>	<u>6,111,749</u>

(i) As of September 30, 2017, December 31 and September 30, 2016, the fair value of investments in associates of the Group for which there are public price quotations were as follows:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
WNC	\$ 3,451,947	7,987,485	3,314,100	7,589,747	3,239,740	8,697,868
AOI	98,080	126,077	134,598	151,915	181,455	210,439
WITS	262,794	332,129	262,640	282,327	280,657	285,633
Formosa Prosonic Industries Berhad	<u>380,073</u>	<u>636,057</u>	<u>369,459</u>	<u>433,429</u>	<u>376,762</u>	<u>434,368</u>
	<u>\$ 4,192,894</u>	<u>9,081,748</u>	<u>4,080,797</u>	<u>8,457,418</u>	<u>4,078,614</u>	<u>9,628,308</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (ii) For the nine-month periods ended September 30, 2017 and 2016, the recognized share of profits and other comprehensive income of associates were as follows:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Attributable to the Group:				
Net profit	\$ 102,872	93,708	243,762	200,452
Other comprehensive income	(9,139)	(78,631)	(39,265)	(118,865)
Comprehensive income	<u>\$ 93,733</u>	<u>15,077</u>	<u>204,497</u>	<u>81,587</u>

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

	September 30, 2017	December 31, 2016	September 30, 2016
Total assets	<u>\$ 50,451,501</u>	<u>49,744,657</u>	<u>48,800,478</u>
Total liabilities	<u>\$ 27,991,761</u>	<u>27,425,778</u>	<u>27,009,299</u>

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Revenue	<u>\$ 19,069,504</u>	<u>19,105,410</u>	<u>52,067,943</u>	<u>53,826,533</u>
Profit	<u>\$ 471,400</u>	<u>283,322</u>	<u>1,232,272</u>	<u>629,623</u>

- (iv) Collateral

As of September 30, 2017, December 31 and September 30, 2016, the investments in aforementioned equity-accounted investees were not pledged as collateral.

- (f) Losing control of subsidiary

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the nine-month periods ended September 30, 2017 and 2016, were as follows:

	Land	Building and improvements	Machinery and equipment	Molding equipment	Research and development equipment	Office equipment	Other equipment	Total
Cost or deemed cost:								
Balance at January 1, 2017	\$ 3,391,533	26,574,456	20,555,338	13,038,059	2,653,969	2,348,043	9,572,190	78,133,588
Additions	131,249	281,706	3,244,249	312,622	98,840	200,976	1,344,784	5,614,426
Reclassification (Note)	-	2,799,326	1,704,733	392,300	387	14,518	(2,520,889)	2,390,375
Reclassified as expense	-	-	(7,953)	(2,358)	(7)	-	(2,892)	(13,210)
Disposals	-	(199,984)	(1,346,141)	(104,124)	(6,046)	(63,052)	(538,818)	(2,258,165)
Effect of changes in foreign exchange rates	(21,603)	(1,363,371)	(1,170,011)	(21,468)	(31,999)	(71,375)	(471,095)	(3,150,922)
Balance at September 30, 2017	<u>\$ 3,501,179</u>	<u>28,092,133</u>	<u>22,980,215</u>	<u>13,615,031</u>	<u>2,715,144</u>	<u>2,429,110</u>	<u>7,383,280</u>	<u>80,716,092</u>
Balance at January 1, 2016	\$ 3,395,392	27,013,994	19,175,854	15,215,794	2,732,089	2,353,700	8,232,764	78,119,587
Effect of changes in consolidated entities	-	-	(36,865)	-	-	(10,484)	(29,614)	(76,963)
Additions	-	31,565	2,643,532	295,640	103,981	62,750	1,119,760	4,257,228
Reclassification (Note)	-	225,115	426,503	637,947	(4,347)	(72)	(115,078)	1,170,068
Reclassified as expense	-	-	-	(118)	-	(89)	(87)	(294)
Disposals	-	(8,685)	(1,659,191)	(823,420)	(199,906)	(43,843)	(437,205)	(3,172,250)
Effect of changes in foreign exchange rates	27,440	(1,208,422)	(1,027,658)	(5,584)	(34,907)	(57,560)	(399,026)	(2,705,717)
Balance at September 30, 2016	<u>\$ 3,422,832</u>	<u>26,053,567</u>	<u>19,522,175</u>	<u>15,320,259</u>	<u>2,596,910</u>	<u>2,304,402</u>	<u>8,371,514</u>	<u>77,591,659</u>
Accumulated depreciation and impairment:								
Balance at January 1, 2017	\$ -	9,388,686	10,973,861	12,230,148	2,079,961	1,917,677	5,095,079	41,685,412
Depreciation	-	1,241,210	2,433,079	954,171	240,740	165,875	700,670	5,735,745
Reclassified as expense	-	-	(7,677)	-	-	-	-	(7,677)
Reversal of impairment	-	-	(14,026)	-	-	-	-	(14,026)
Disposals	-	(199,866)	(1,315,884)	(104,123)	(3,791)	(62,834)	(520,713)	(2,207,211)
Effect of changes in foreign exchange rates	-	(495,984)	(600,661)	(7,067)	(21,671)	(54,456)	(232,296)	(1,412,135)
Balance at September 30, 2017	<u>\$ -</u>	<u>9,934,046</u>	<u>11,468,692</u>	<u>13,073,129</u>	<u>2,295,239</u>	<u>1,966,262</u>	<u>5,042,740</u>	<u>43,780,108</u>
Balance at January 1, 2016	\$ -	8,018,650	9,627,669	14,424,561	1,984,695	1,750,882	4,636,383	40,442,840
Effect of changes in consolidated entities	-	-	(17,242)	-	-	(7,070)	(17,336)	(41,648)
Depreciation	-	1,239,758	2,332,352	1,015,483	228,739	191,979	764,718	5,773,029
Reclassification (Note)	-	-	(17,847)	-	(5,936)	-	23,884	101
Disposals	-	(8,685)	(1,203,341)	(823,358)	(201,522)	(38,275)	(344,370)	(2,619,551)
Effect of changes in foreign exchange rates	-	(408,110)	(501,993)	(1,162)	(19,511)	(43,552)	(222,471)	(1,196,799)
Balance at September 30, 2016	<u>\$ -</u>	<u>8,841,613</u>	<u>10,219,598</u>	<u>14,615,524</u>	<u>1,986,465</u>	<u>1,853,964</u>	<u>4,840,808</u>	<u>42,357,972</u>
Carrying value:								
Balance at January 1, 2017	<u>\$ 3,391,533</u>	<u>17,185,770</u>	<u>9,581,477</u>	<u>807,911</u>	<u>574,008</u>	<u>430,366</u>	<u>4,477,111</u>	<u>36,448,176</u>
Balance at September 30, 2017	<u>\$ 3,501,179</u>	<u>18,158,087</u>	<u>11,511,523</u>	<u>541,902</u>	<u>419,905</u>	<u>462,848</u>	<u>2,340,540</u>	<u>36,935,984</u>
Balance at January 1, 2016	<u>\$ 3,395,392</u>	<u>18,995,344</u>	<u>9,548,185</u>	<u>791,233</u>	<u>747,394</u>	<u>602,818</u>	<u>3,596,381</u>	<u>37,676,747</u>
Balance at September 30, 2016	<u>\$ 3,422,832</u>	<u>17,211,954</u>	<u>9,302,577</u>	<u>704,735</u>	<u>610,445</u>	<u>450,438</u>	<u>3,530,706</u>	<u>35,233,687</u>

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

Please refer to note 8 for the detail of the property, plant and equipment pledged as collateral as of September 30, 2017, December 31 and September 30, 2016.

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(h) Intangible assets

Carrying value :	Patent	Goodwill	Software	Customer relationships	Expertise	Other	Total
Balance at January 1, 2017	\$ <u>308,282</u>	<u>561,485</u>	<u>321,610</u>	-	<u>56,088</u>	-	<u>1,247,465</u>
Balance at September 30, 2017	\$ <u>242,427</u>	<u>561,485</u>	<u>237,940</u>	-	<u>46,392</u>	-	<u>1,088,244</u>
Balance at January 1, 2016	\$ <u>378,478</u>	<u>765,079</u>	<u>470,300</u>	<u>266,716</u>	<u>133,805</u>	<u>2,407</u>	<u>2,016,785</u>
Balance at September 30, 2016	\$ <u>305,346</u>	<u>561,485</u>	<u>331,989</u>	-	<u>57,232</u>	-	<u>1,256,052</u>

There were no significant additions, impairment loss or reversal gain for intangible assets for the nine-month periods ended September 30, 2017 and 2016. Please refer to note 12(a) for the amounts of amortization. For other related information, please refer to the note 6(i) of the consolidated financial statements for the year ended December 31, 2016.

(i) Other current assets and non-current assets

	September 30, 2017	December 31, 2016	September 30, 2016
Other current assets:			
Other receivables	\$ 8,298,203	6,103,401	4,765,534
Prepaid royalties	387,294	419,782	503,273
Other prepayments	3,193,193	1,403,761	1,250,809
Tax refundables	2,948,410	2,005,006	2,298,741
Others	<u>1,105,504</u>	<u>774,367</u>	<u>855,425</u>
	<u>\$ 15,932,604</u>	<u>10,706,317</u>	<u>9,673,782</u>
	September 30, 2017	December 31, 2016	September 30, 2016
Other non-current assets:			
Advance payment for equipments	\$ 377,585	1,318,657	539,546
Prepaid rent	1,744,091	1,883,513	1,717,966
Refundable deposits	405,862	348,603	346,088
Others	<u>431,668</u>	<u>590,934</u>	<u>608,187</u>
	<u>\$ 2,959,206</u>	<u>4,141,707</u>	<u>3,211,787</u>

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(j) Bank loans

(i) Short-term loans

September 30, 2017				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.58%~3.45%	2017/10/2~2018/5/4	\$ 75,088,435
Unsecured bank loans	CNY	4.04%~4.35%	2017/11/7~2018/9/20	1,356,251
Unsecured bank loans	JPY	0.31%~0.77%	2017/10/31~2017/12/29	471,450
Unsecured bank loans	EUR	0.69%	2017/10/19	60,639
Unsecured bank loans	AUD	3.25%	2017/10/6	23,736
Total				\$ 77,000,511
Unused credit line				\$ 88,996,504

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

September 30, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	0.88%~2.10%	2016/10/3~2017/9/7	\$ 59,520,192
Unsecured bank loans	EUR	0.70%	2016/10/7	1,193,244
Unsecured bank loans	INR	8.73%	2016/12/20~2017/3/15	102,377
Unsecured bank loans	JPY	0.32%~0.82%	2016/10/7~2017/8/1	1,085,537
Unsecured bank loans	CNY	3.20%~5.47%	2016/10/11~2016/11/27	6,263,851
Unsecured bank loans	SGD	1.60%~1.62%	2016/10/19~2016/10/28	721,297
Unsecured bank loans	AUD	3.25%	2016/10/11	2,387
Total				<u>\$ 68,888,885</u>
Unused credit line				<u>\$ 117,285,565</u>

(ii) Long-term loans

September 30, 2017				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.78%~2.62%	2018/9/22~2019/1/26	\$ 9,849,533
Unsecured bank loans	NTD	1.15%	2018/3/26	75,000
Subtotal				9,924,533
Less: current portion				(6,893,850)
Total				\$ 3,030,683
Unused credit line				\$ 553,423

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

September 30, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.05%~1.97%	2017/1/12~2018/10/30	\$ 14,285,974
Unsecured bank loans	NTD	1.15%	2017/3/26~2018/3/26	225,000
Secured bank loans	JPY	0.66%	2016/12/30	2,468
Subtotal				14,513,442
Less: current portion				(1,861,915)
Total				<u>\$ 12,651,527</u>
Unused credit line				<u>\$ 627,500</u>

(iii) Breach of covenant

According to the Group's credit loan facility agreement with the banks, during the credit term, the Group is committed to maintain the financial ratios. If a breach of covenant occurs, the Group's credit facility is immediately restricted, and without the consent of authorized banks, the credit facility is no longer available for the Group. The Group was in compliance with the above financial covenants as of September 30, 2017, December 31 and September 30, 2016.

(iv) The interest expense for long-term and short-term loans for the three-month and nine-month periods end September 30, 2017 and 2016, were disclosed in note 6(r).

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

(k) Provisions

(i) Provisions for warranty

	2017	2016
Balance at January 1	\$ 2,140,679	2,084,500
Provision made	1,387,933	1,304,946
Provision used	(1,520,527)	(1,329,541)
Effect of changes in foreign exchange rates	(28)	(99,250)
Balance at September 30	<u>\$ 2,008,057</u>	<u>1,960,655</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
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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.

(ii) Provision of sales return and allowance

	2017	2016
Balance at January 1	\$ 4,918,511	3,307,116
Accrual	1,041,240	3,575,156
Payment	<u>(1,504,881)</u>	<u>(1,699,586)</u>
Balance at September 30	<u>\$ 4,454,870</u>	<u>5,182,686</u>

For the nine-month periods ended September 30, 2017 and 2016, the provision of sales return and allowance would be recognized in “other current liabilities”, respectively.

(l) Operating leases

(i) Lessee

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

	September 30, 2017	December 31, 2016	September 30, 2016
Less than one year	\$ 543,059	424,330	376,106
Between one and five years	919,322	933,351	1,047,656
More than five years	<u>153,198</u>	<u>46,128</u>	<u>100,742</u>
	<u>\$ 1,615,579</u>	<u>1,403,809</u>	<u>1,524,504</u>

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

For the nine-month periods ended September 30, 2017 and 2016, expenses recognized in profit or loss in respect of operating leases, were \$723,742 and \$761,805, respectively.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Lessor

The Group leases out a number of office, warehouse and factory facilities under operating leases. The leases typically run for 1 year. For the nine-month periods ended September 30, 2017 and 2016, rental income recognized in profit or loss, were \$65,458 and \$94,076, respectively. The future minimum income under non-cancellable lease are as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Less than one year	\$ 20,597	41,457	9,512
Between one and five years	-	-	2,463
	<u>\$ 20,597</u>	<u>41,457</u>	<u>11,975</u>

(m) Employee benefits

(i) 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 costs in the interim consolidated financial statements were measured and disclosed according to the actuarial report for the years ended December 31, 2016 and 2015.

The expenses recognized in expense for the Group were as follows:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Cost of sales	\$ 1,474	1,785	4,738	5,343
Selling expenses	155	2,735	3,869	8,135
Administrative expenses	1,308	1,485	3,911	4,471
Research and development expenses	3,119	4,776	10,360	14,407
	<u>\$ 6,056</u>	<u>10,781</u>	<u>22,878</u>	<u>32,356</u>

(ii) Defined contribution plans

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Cost of sales	\$ 16,978	16,561	47,642	48,744
Selling expenses	23,436	22,082	60,933	64,612
Administrative expenses	7,476	7,122	21,965	20,821
Research and development expenses	65,605	61,229	191,862	178,996
	<u>\$ 113,495</u>	<u>106,994</u>	<u>322,402</u>	<u>313,173</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(n) Income Taxes

(i) Income tax expense

The details of income tax expense were as follows:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Current tax expense				
Current period	\$ 122,043	285,221	675,667	967,270
Prior period adjustments	<u>242,926</u>	<u>10,287</u>	<u>196,970</u>	<u>(177,987)</u>
	<u>\$ 364,969</u>	<u>295,508</u>	<u>872,637</u>	<u>789,283</u>

(ii) The amounts of income tax benefit recognized in other comprehensive income were as follows:

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Exchange differences on translation of foreign financial statements	\$ (10)	(277)	(265)	(504)
Unrealized losses on valuation of available-for-sale financial assets	<u>1,739</u>	<u>6,764</u>	<u>(5,294)</u>	<u>(5,523)</u>
	<u>\$ 1,729</u>	<u>6,487</u>	<u>(5,559)</u>	<u>(6,027)</u>

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2015.

(iv) Integrated income tax information

As of September 30, 2017, December 31 and September 30, 2016, the Company's integrated income tax information was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings, from January 1, 1998	<u>\$ 12,209,894</u>	<u>14,049,157</u>	<u>12,748,159</u>
Balance of deductible tax account	<u>\$ 3,157,615</u>	<u>3,867,067</u>	<u>2,815,900</u>
		<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Creditable ratio for earnings distribution to domestic stockholders		<u>31.99%</u>	<u>24.52%</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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The Company's income tax and imputation tax credit are in compliance with Decree No. 10204562810 issued by the Ministry of Finance on October, 17, 2013. Starting from January 1, 2015, the deductible tax amount of an individual shareholder residing in the territory of R.O.C. is calculated by 50% of its original tax deduction ratio. However, in case that the gross dividends or the gross earnings received by the shareholder residing outside the territory of R.O.C. contain any income subject to a 10% surcharge of a profit-seeking income tax which was actually paid under the provisions of Article 66-9 hereof, half of the amount of the surcharged profit-seeking income tax may be offset against the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

- 1) Appeals for administrative remedies
 - a) For 2011, the tax authorities assessed the Company for an additional income tax of \$409,169, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2011 income tax returns. The tax authorities adjudicated to return income tax for \$6,650 in March, 2016. As of September 30, 2017, the appeal of aforementioned returns was still in progress.
 - b) For 2012, the tax authorities assessed the company for an additional income tax of \$307,178 and 10% surtax on undistributed earnings \$80,027. The income tax is as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credit. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2012 income tax returns. The tax authorities adjudicated to return income tax for \$6,892 in March, 2016. As of September 30, 2017, the appeal of aforementioned returns was still in progress.
 - c) In 2013, the Company disagreed with the assessment made by the tax authorities and filed an appeal for reassessment, which has been granted by the court. The said case had been closed in September, 2017. Therefore, the final amount decided by the tax authorities was recognized as current tax expense.
 - d) For 2014, the tax authorities assessed that the Company for an additional income tax of \$509,270, after reducing some of the Company's amortization expense and disclaiming some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2014 income tax returns. As of September 30, 2017, the appeal of aforementioned returns was still in progress.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(o) Capital and Other Equities

Except for the following disclosures, there were no significant differences in capital and other equities for the nine-month periods ended September 30, 2017 and 2016. Please refer to the note 6(p) of the consolidated financial statements for the year ended December 31, 2016 for other related information.

(i) Capital

On March 20, 2017, the Company's Board of Directors approved a resolution to distribute the employee remuneration amounting to \$615,440, consisting of 23,490,000 shares. All related registration procedures had been completed.

On June 14, 2017, the Company's shareholders approved a resolution to distribute the retained earnings amounting to \$760,542, consisting of 76,054,000 shares, wherein, 30 shares per thousand shares were to be distributed as stock dividend. However, the Company repurchased its treasury stock to be transferred to its employees. The stock distribution had been adjusted to 29.60839 shares per thousand shares accordingly. The related registration procedures had been completed.

(ii) Treasury Stock

- 1) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the securities and Exchange Act. As of September 30, 2017 and 2016, the treasury stock repurchased was both 164,362,000 shares, and the stock transferred to employees was 73,786,000 shares and 28,574,000 shares, respectively. Therefore, the shares of treasury stock the Company hold as of September 30, 2017 and 2016 was 90,576,000 shares and 135,788,000 shares, respectively.
- 2) Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10 % of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those that were not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. Furthermore, treasury stock cannot be pledged for debts, and treasury stock does not carry any shareholder rights until it is transferred.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) Capital surplus

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

	September 30, 2017	December 31, 2016	September 30, 2016
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	19,518,291	19,137,751	19,137,751
Surplus arising from equity-accounted investees	261,748	201,967	254,728
Employee stock options	75,887	90,250	97,728
Restricted employee shares of stock	430,143	115,929	98,139
Transaction of treasury stock	-	7,688	7,719
	<u>\$ 22,086,069</u>	<u>21,353,585</u>	<u>21,396,065</u>

(iv) Unappropriated earnings

The Company's Articles of Incorporation provide that, when allocating the net profit for each fiscal year, the Company shall first offset its losses in previous years and then set aside the legal reserve at 10% of net profit until the accumulated legal reserve equals the Company's paid-in capital; and also set aside special capital reserve in accordance with relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 10% of the remaining earnings. The Company's appropriations of earnings are approved in the meeting of the Board of Directors and presented for approval in the Company's shareholders' meeting.

1) Legal reserve

According to the ROC Company Act, a company shall first set aside 10% of its net profit as legal reserve. When the balance of such legal reserve reaches an amount that is equal to the paid-in capital, the appropriation to legal reserve is discontinued. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only 10% of legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On November 21, 2012, the other unearned remuneration for restricted employee shares was not accounted for as contra account of other shareholders' equity in accordance with Decree No.1010051600 issued by the Securities and Futures Bureau.

3) Dividends

As the Group is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of stock dividend is not lower than 10% of total distribution of dividends.

4) Earnings Distribution

The appropriation of 2016 and 2015 earnings that was approved at the shareholders' meeting on June 14, 2017 and June 15, 2016 were as follow:

	2016	2015
Cash dividends	\$ 3,042,169	2,905,344
Stock dividends	760,542	726,336
	<u>\$ 3,802,711</u>	<u>3,631,680</u>

The aforementioned distribution of common stock was no difference between the actual amounts and the amounts approved at the meeting of the Board of Directors in 2015 and 2016. The related information is available on the Market Observation Post System.

5) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements		Unrealized gain (loss) on valuation of available-for-sale financial assets		Other unearned compensation for restricted employee shares of stock
	Group	Associates	Group	Associates	Group
Balance at January 1, 2017	\$ 1,356,903	(155,476)	(542,394)	91,094	(113,721)
Foreign currency translation differences (net of tax)	(3,211,366)	(28,205)	-	-	-
Unrealized loss on available-for-sale financial assets (net of tax)	-	-	(253,159)	(11,060)	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	113,721
Balance at September 30, 2017	<u>\$ (1,854,463)</u>	<u>(183,681)</u>	<u>(795,553)</u>	<u>80,034</u>	<u>-</u>
Balance at January 1, 2016	\$ 3,417,186	25,559	(468,957)	60,761	(22,389)
Foreign currency translation differences (net of tax)	(3,351,528)	(142,782)	-	-	-
Unrealized gain on available-for-sale financial assets (net of tax)	-	-	93,458	23,917	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	(133,978)
Balance at September 30, 2016	<u>\$ 65,658</u>	<u>(117,223)</u>	<u>(375,499)</u>	<u>84,678</u>	<u>(156,367)</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(p) Share-based payment transactions

Except for the following disclosures there were no significant differences in share-based payment transactions for the nine-month periods ended September 30, 2016 and 2017. Please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2016 and for other related information.

As the third vesting period (the fourth year from the grant date) ended in August 2017, the Company decided to retrieve its restricted employee shares for employees who failed to qualify certain requirements, as well as its cash and stock dividend generated from the above mentioned restricted employee shares. Therefore, the retrieved cash dividend amounted to \$1,349 in August 2017, and the employee shares of 1,139,000 and the stock dividend of 34,000 will retrieve in the fourth quarter of 2017.

As the second vesting period (the third year from the grant date) ended in August 2016, the Company decided to retrieve its restricted employee shares for employees who failed to qualify certain requirements, as well as the cash and stock dividend generated from the above mentioned restricted employee shares. Therefore, the Company retrieved cash dividend amounting to \$1,628 in August, 2016 and the employee shares of 1,779,000 and the stock dividend of 41,000 in the fourth quarter of 2016.

(q) Earnings per share

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Basic earnings per share:				
Net profit belonging to common shareholders \$	<u>918,591</u>	<u>511,651</u>	<u>2,282,578</u>	<u>1,510,878</u>
Weighted average common stock outstanding (in thousands)	<u>2,636,230</u>	<u>2,550,292</u>	<u>2,615,521</u>	<u>2,543,780</u>
Basic EPS (New Taiwan Dollars)	<u>\$ 0.35</u>	<u>0.20</u>	<u>0.87</u>	<u>0.59</u>
Diluted earnings per share:				
Net profit belonging to common shareholders \$	<u>918,591</u>	<u>511,651</u>	<u>2,282,578</u>	<u>1,510,878</u>
Weighted average common stock outstanding (in thousands)	\$ 2,636,230	2,550,292	2,615,521	2,543,780
Effect of potentially dilutive common stock (in thousands):				
Employee compensation	17,651	14,125	24,363	21,488
Restricted employee shares of stock	<u>12,449</u>	<u>28,385</u>	<u>16,644</u>	<u>32,678</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>\$ 2,666,330</u>	<u>2,592,802</u>	<u>2,656,528</u>	<u>2,597,946</u>
Diluted EPS (New Taiwan Dollars)	<u>\$ 0.34</u>	<u>0.20</u>	<u>0.86</u>	<u>0.58</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(r) Revenue and non-operating income and expenses

(i) Revenue

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Computer, Communication & Consumer electronics	\$ 190,338,598	143,282,072	516,296,640	387,927,709
Others	<u>21,893,441</u>	<u>25,256,149</u>	<u>58,181,695</u>	<u>61,933,271</u>
	<u><u>\$ 212,232,039</u></u>	<u><u>168,538,221</u></u>	<u><u>574,478,335</u></u>	<u><u>449,860,980</u></u>

(ii) Other income

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Interest income	\$ 291,693	243,736	794,321	621,066
Dividend income	118,667	90,467	135,810	106,028
Rental income	<u>28,173</u>	<u>32,903</u>	<u>65,458</u>	<u>94,076</u>
	<u><u>\$ 438,533</u></u>	<u><u>367,106</u></u>	<u><u>995,589</u></u>	<u><u>821,170</u></u>

(iii) Other gain and loss

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Foreign exchange gains, net	\$ 118,742	979,044	2,152,295	961,722
Gain on disposal of investment, net	35,654	25,819	56,206	9,919
Loss on disposal of property plant and equipment, net	(1,056)	(50,996)	(29,754)	(203,172)
Gain on disposal of intangible assets	-	-	-	72,753
Loss on valuation of financial assets or liabilities at fair value, net	(96,195)	(1,316,678)	(1,720,393)	(1,948,636)
Other investment loss, net	(2,377)	(4,282)	(2,362)	(41,103)
Impairment losses on assets	(57,330)	(120,747)	(111,156)	(214,530)
Others	<u>24,652</u>	<u>70,024</u>	<u>169,598</u>	<u>331,439</u>
	<u><u>\$ 22,090</u></u>	<u><u>(417,816)</u></u>	<u><u>514,434</u></u>	<u><u>(1,031,608)</u></u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(iv) Finance costs

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Interest expenses				
Bank loans	\$ <u>(815,574)</u>	<u>(528,818)</u>	<u>(1,888,429)</u>	<u>(1,435,026)</u>

(s) Remuneration of employees and directors

According to the Company's articles of incorporation, earning shall first be offset against any deficit, then, no less than 5% and no more than 1% of current-year profit before tax excluding employee and directors' compensation, will be distributed as employee and directors' remuneration, respectively. The employee remuneration shall be made in the form of cash but may also be made in the form of shares. However, the directors' remuneration shall be made in the form of cash. The recipients of shares of stock and cash may include the employees of the Company's subsidiaries who meet certain requirements set by the board of directors of the Company.

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

	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016
Employee's compensation	\$ 140,713	109,663	432,453	329,104
Directors' compensation	<u>9,287</u>	<u>7,311</u>	<u>28,542</u>	<u>21,940</u>
	\$ <u>150,000</u>	<u>116,974</u>	<u>460,995</u>	<u>351,044</u>

These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of association, and expensed under operating costs or expenses. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year. If the directors decided to distribute its employee remuneration in stock dividends, the calculation based on the number of shares will be calculated by using the stock price on the day before the Board of Directors' meeting.

The Company accrued the employee remuneration of \$615,440 and \$496,015, and directors' remuneration of \$40,619 and \$24,565, for the years ended December 31, 2016 and 2015, respectively. The remuneration to employees were paid in shares which are based on the closing price of the Company's shares on the day before the approval by the Board of Directors on March 20, 2017 and March 25, 2016. The related information is available on the Market Observation Post System.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(t) Financial instruments

Except for the following disclosures, there were no significant differences of fair value and credit risk, liquidity risk and market risk which financial instruments were exposed to. Please refer to the note 6(u) of the consolidated financial statements for the year ended December 31, 2016 for other related information.

(i) Credit risk

As of September 30, 2017, December 31 and September 30, 2016, 66%, 60% and 80% of the Group's accounts receivable were all concentrated on 5, 4 and 6 specific customers, respectively. Accordingly, concentrations of credit risk exist.

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
As of September 30, 2017						
Non-derivative financial liabilities						
Short-term loans	\$ 77,000,511	77,104,442	77,104,442	-	-	-
Notes and accounts payable (including related parties)	142,590,269	142,590,269	142,590,269	-	-	-
Other payables (including related parties)	18,995,936	18,995,936	18,995,936	-	-	-
Long-term loans (including current portion)	9,924,533	10,177,743	7,071,558	3,106,185	-	-
Subtotal	248,511,249	248,868,390	245,762,205	3,106,185	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	15,772	5,305,113	5,305,113	-	-	-
Inflow	-	(5,289,341)	(5,289,341)	-	-	-
Carrying amount	15,772	15,772	15,772	-	-	-
Foreign currency forward contracts:						
Outflow	91,440	7,124,582	7,124,582	-	-	-
Inflow	-	(7,033,142)	(7,033,142)	-	-	-
Carrying amount	91,440	91,440	91,440	-	-	-
Subtotal	107,212	107,212	107,212	-	-	-
Total	\$ 248,618,461	248,975,602	245,869,417	3,106,185	-	-
As of December 31, 2016						
Non-derivative financial liabilities						
Short-term loans	\$ 44,762,259	44,826,184	44,826,184	-	-	-
Notes and accounts payable (including related parties)	124,221,933	124,221,933	124,221,933	-	-	-
Other payables (including related parties)	15,589,083	15,589,083	15,589,083	-	-	-
Long-term loans (including current portion)	13,008,880	13,434,672	1,442,690	11,991,982	-	-
Subtotal	197,582,155	198,071,872	186,079,890	11,991,982	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	19,071	16,704,710	16,704,710	-	-	-
Inflow	-	(16,685,639)	(16,685,639)	-	-	-
Carrying amount	19,071	19,071	19,071	-	-	-

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	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
Foreign currency forward contracts:						
Outflow	\$ 6,059	489,680	489,680	-	-	-
Inflow	-	(483,621)	(483,621)	-	-	-
Carrying amount	6,059	6,059	6,059	-	-	-
Subtotal	25,130	25,130	25,130	-	-	-
Total	<u>\$ 197,607,285</u>	<u>198,097,002</u>	<u>186,105,020</u>	<u>11,991,982</u>	<u>-</u>	<u>-</u>
As of September 30, 2016						
Non-derivative financial liabilities						
Short-term loans	\$ 68,888,885	68,916,267	68,916,267	-	-	-
Notes and accounts payable (including related parties)	115,849,517	115,849,517	115,849,517	-	-	-
Other payables (including related parties)	12,123,611	12,123,611	12,123,611	-	-	-
Long-term loans (including current portion)	14,513,442	15,009,410	1,869,034	11,807,738	1,332,638	-
Subtotal	<u>211,375,455</u>	<u>211,898,805</u>	<u>198,758,429</u>	<u>11,807,738</u>	<u>1,332,638</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	741,216	26,837,464	26,837,464	-	-	-
Inflow	-	(26,096,248)	(26,096,248)	-	-	-
Carrying amount	<u>741,216</u>	<u>741,216</u>	<u>741,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	54,102	54,102	54,102	-	-	-
Carrying amount	<u>54,102</u>	<u>54,102</u>	<u>54,102</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>795,318</u>	<u>795,318</u>	<u>795,318</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 212,170,773</u>	<u>212,694,123</u>	<u>199,553,747</u>	<u>11,807,738</u>	<u>1,332,638</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to currency risk

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

	September 30, 2017				December 31, 2016			
	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate		TWD
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	5,221.00	USD/BRL=	3.164	158,234	1,760.56	USD/BRL=	3.256	56,829
	259.00	USD/COP=	2,938.650	7,852	7.28	USD/COP=	2,997.230	235
	39,663.00	USD/CZK=	22.180	1,202,036	8,131.18	USD/CZK=	25.711	262,466
	5,958.00	USD/CLP=	640.600	180,583	0.93	USD/HKD=	7.755	30
	16.00	USD/INR=	65.360	489	73.92	USD/INR=	67.960	2,386
	10,387.00	USD/JPY=	112.500	314,775	5,497.78	USD/JPY=	117.050	177,463
	5,969.00	USD/MXN=	18.129	180,905	1,328.07	USD/MXN=	20.715	42,869
	199.00	USD/MYR=	4.224	6,032	126.31	USD/MYR=	4.488	4,077
	2,290,854.00	USD/TWD=	30.306	69,426,579	1,945,136.96	USD/TWD=	32.279	62,787,076
	170,561.00	USD/CNY=	6.637	5,168,983	4,800.22	USD/CNY=	6.937	154,946
CNY	110,574.00	CNY/TWD=	4.567	504,935	68,889.48	CNY/TWD=	4.654	320,577
	941,215.00	CNY/USD=	0.151	4,298,056	715,274.90	CNY/USD=	0.144	3,328,532

(Continued)

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

September 30, 2017					December 31, 2016				
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD		
<u>Non-monetary</u>									
USD	70,639.76	USD/TWD=	30.306	2,140,809	11,521.95	USD/TWD=	32.279	371,917	
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	12,388.00	USD/BRL=	3.164	375,434	307.80	USD/BRL=	3.256	9,935	
	500.00	USD/COP=	2,938.650	15,153					
	2,089.00	USD/CLP=	640.600	63,300					
	13,984.00	USD/CZK=	22.180	423,791	21,438.00	USD/CZK=	25.711	691,997	
	5.00	USD/HKD=	7.811	141	6.02	USD/HKD=	7.755	194	
	20,595.00	USD/INR=	65.360	624,163	7,731.85	USD/INR=	67.960	249,576	
	26.00	USD/JPY=	112.500	781	1.53	USD/JPY=	117.050	49	
	7,089.00	USD/MXN=	18.129	214,830	6,190.21	USD/MXN=	20.715	199,814	
	4,225.00	USD/MYR=	4.224	128,043	3,152.94	USD/MYR=	4.488	101,774	
	4,054,147.00	USD/TWD=	30.306	122,864,990	2,860,283.49	USD/TWD=	32.279	92,327,091	
	47,477.00	USD/CNY=	6.637	1,438,845	26,744.48	USD/CNY=	6.937	863,285	
CNY	3,541,675.00	CNY/USD=	0.151	16,173,066	2,812,562.03	CNY/USD=	0.144	13,088,257	
	25.00	CNY/TWD=	4.567	115	175.10	CNY/TWD=	4.654	815	
<u>September 30, 2016</u>									
	Foreign currency	Exchange rate	TWD						
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	1,662.76	USD/BRL=	3.262	52,154					
	9.77	USD/COP=	2,956.100	307					
	59,204.73	USD/CZK=	24.177	1,857,015					
	3.24	USD/HKD=	7.754	102					
	158.61	USD/INR=	66.630	4,975					
	5,861.84	USD/JPY=	101.680	183,862					
	1,067.38	USD/MXN=	19.611	33,479					
	160.22	USD/MYR=	4.151	5,026					
	1,772,625.15	USD/TWD=	31.366	55,600,161					
	25,380.81	USD/CNY=	6.671	796,094					
CNY	38,334.75	CNY/TWD=	4.702	180,253					
	918,433.22	CNY/USD=	0.150	4,318,892					
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	274.10	USD/BRL=	3.262	8,597					
	14,083.80	USD/CZK=	24.177	441,753					
	22.64	USD/HKD=	7.754	710					
	8,777.96	USD/INR=	66.630	275,329					
	39.31	USD/JPY=	101.680	1,233					
	6,063.56	USD/MXN=	19.611	190,190					
	2,950.00	USD/MYR=	4.151	92,530					
	3,569,991.12	USD/TWD=	31.366	111,976,341					
	13,168.46	USD/CNY=	6.671	413,042					
CNY	53,505.50	CNY/TWD=	4.702	2,515,914					
	2,750,841.24	CNY/USD=	0.150	12,935,006					

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Currency risk sensitivity analysis

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

A Strengthening (weakening) 5 % of appreciation (depreciation) of the TWD against the USD and the CNY for the nine-month periods ended September 30, 2017 and 2016, would increase (decrease) the net profit after tax by \$2,526,238 and \$2,731,460, respectively. The analysis assumes that all other variables remain constant.

(iv) Interest analysis

The following sensitivity analysis is based on the risk exposure to interest rates on non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increase / decrease by 25 basis points, the Group's net profit after tax would decrease/increase by \$52,347 and \$82,099 for the nine-month periods ended September 30, 2017 and 2016, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at variable rates.

(v) Fair value information

1) Categories and fair values of financial instruments

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

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ 220,221	-	220,221	-	220,221
Available-for-sale financial assets	\$ 3,939,449	2,870,449	1,069,000	-	3,939,449
Financial assets carried at cost	\$ 1,617,230	-	-	-	-
Other financial assets-current	\$ 164,394	-	164,394	-	164,394
Loans and receivables					
Cash and cash equivalents	\$ 59,318,428	-	-	-	-
Notes and accounts receivable (including related parties)	102,195,671	-	-	-	-
Other receivable (including related parties)	8,300,288	-	-	-	-
Subtotal	\$ 169,814,387	-	-	-	-
Guarantee deposits	\$ 405,862	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ 107,212	-	107,212	-	107,212
Financial liabilities at amortized cost					
Short-term loans	\$ 77,000,511	-	-	-	-
Notes and accounts payable (including related parties)	142,590,269	-	-	-	-
Other payables (including related parties)	18,995,936	-	-	-	-
Long-term loans (including current portion)	9,924,533	-	-	-	-
Subtotal	\$ 248,511,249	-	-	-	-
December 31, 2016					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ 258,924	-	258,924	-	258,924
Available-for-sale financial assets	\$ 3,559,352	2,985,207	574,145	-	3,559,352
Financial assets carried at cost	\$ 1,539,065	-	-	-	-
Other financial assets-current	\$ 255,943	-	255,943	-	255,943
Loans and receivables					
Cash and cash equivalents	\$ 57,561,050	-	-	-	-
Notes and accounts receivable (including related parties)	89,733,251	-	-	-	-
Other receivable (including related parties)	6,108,079	-	-	-	-
Subtotal	\$ 153,402,380	-	-	-	-
Guarantee deposits	\$ 348,603	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ 25,130	-	25,130	-	25,130
Financial liabilities at amortized cost					
Short-term loans	\$ 44,762,259	-	-	-	-
Notes and accounts payable (including related parties)	124,221,933	-	-	-	-
Other payables (including related parties)	15,589,083	-	-	-	-
Long-term loans (including current portion)	13,008,880	-	-	-	-
Subtotal	\$ 197,582,155	-	-	-	-

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ 38,101	-	38,101	-	38,101
Available-for-sale financial assets	\$ 3,780,036	3,189,753	590,283	-	3,780,036
Financial assets carried at cost	\$ 1,487,566	-	-	-	-
Other financial assets-current	\$ 3,076,132	-	3,076,132	-	3,076,132
Loans and receivables					
Cash and cash equivalents	\$ 67,612,721	-	-	-	-
Notes and accounts receivable(including related parties)	82,927,771	-	-	-	-
Other receivable (including related parties)	4,777,352	-	-	-	-
Subtotal	\$ 155,317,844	-	-	-	-
Guarantee deposits	\$ 346,088	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ 795,318	-	795,318	-	795,318
Financial liabilities at amortized cost					
Short-term loans	\$ 68,888,885	-	-	-	-
Notes and accounts payable (including related parties)	115,849,517	-	-	-	-
Other payables (including related parties)	12,123,611	-	-	-	-
Long-term loans (including current portion)	14,513,442	-	-	-	-
Subtotal	\$ 211,375,455	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination

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

- a) The fair value of investments in securities of listed companies, with standard terms and conditions which are traded in active markets, is based on quoted market price.
- b) The derivative instruments were measured by models which are widely accepted by users from the market. The forward contracts would usually measure by forward exchange rates.
- c) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

3) Transfer from Level 1 to Level 2: none

4) Changes between Level 3: none

The Group's beneficial and adverse change refers to the fluctuation of the fair value, and the fair value is calculated by parameters at any unobservable level and valuation technique. The above table only reflects the effect which results from the single parameter changes, and does not consider the correlation and variability between parameters, even if there is more than one parameter that would affect the fair value.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(vi) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the Section 42 of International Financial Reporting Standards No. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

September 30, 2017						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other financial assets-current	\$ 589,062,202	589,062,202	-	-	-	-

September 30, 2017						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	\$ 589,062,202	589,062,202	-	-	-	-

(u) Financial risk management

There are no significant changes in the objectives and policies concerning the financial risks that the Group was exposed to. Please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2016 for related information.

(v) 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, 2016. Please refer to the note 6(w) of the consolidated financial statements for the year ended December 31, 2016, and for other related information.

The Group's debt ratio as of September 30, 2017, December 31 and September 30, 2016, were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Total liabilities	\$ 266,865,693	214,787,109	229,206,210
Total assets	\$ 332,603,790	282,755,558	294,477,847
Debt ratio	80%	76%	78%

As of September 30, 2017, the Group's capital management strategy is consistent with the prior year.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Names of the related parties	Relationships
Wistron NeWeb Corporation	Associate
Webcom Communication (kunshan) Corporation	Associate
Wistron Neweb (Kunshan) Corporation	Associate
NEWEB SERVICE (KUNSHAN) CORPORATION	Associate
WNC (kunshan) Corporation	Associate
AOpen Inc.	Associate
Aopen Japan Inc.	Associate
Aopen Information Products (Zhongshan) Inc.	Associate
Great Connection Ltd.	Associate
Wistron Information Technology and Services Corporation	Associate
Wistron Information Technology and Services (Beijing) Inc.	Associate
Wuhan Wistron Virgin Technology & Service INC.	Associate
Wistron Information Technology and Services Inc.	Associate
HSIEH-YUH TECHNOLOGY CO., LTD.	Associate
HSIEH-YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD.	Associate
WIS PRECISION (TAIZHOU) CO., LTD.	Associate
WIS PRECISION (KUNSHAN) CO., LTD.	Associate
T-CONN PRECISION CORPORATION	Associate
T-CONN PRECISION (Zhongshan) CORPORATION	Associate
HIGH-TEK ENTERPRISE (KUNSHAN) CO.,LTD	Associate
HIGH-TEK HARNESS ENTERPRISE(CHONGQING) CO.,LTD.	Associate
HIGH-TEK HARNESS ENTERPRISE CO.,LTD	Associate
Formosa Prosonic Industries Berhad	Associate
Maya International Company, Ltd.	Associate

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Names of the related parties	Relationships
WIEDU SALES AND MARKETING SDN. BHD.	Associate
Xserve (BVI) Corp.	Associate
Fullerton Ltd.	Associate
LIAN-YI PRECISION (ZHONGSHAN) INC.	Associate
Join-Link International Technology Co., Ltd.	Associate
ICA Inc.	Associate
WIBASE INDUSTRIAL SOLUTIONS INC.	Associate
WiseOps Co., Limited.	Associate (Note)
WISTRON HUMANITIES FOUNDATION	Other related Parties

(Note): The Group disposed all the equity of WOHK in the last quarter of 2016; therefore, WOHK is no longer as a related party of the Group.

(c) Related party transactions

(i) Sales

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

	Sales				Receivables from related parties		
	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ 35,957	482,020	61,211	1,663,168	27,377	5,769	238,823

The selling price and payment terms of sales to related parties depend on the economic environment and market competition of the sales areas. There are not significant difference in the pricing and payment terms from those with third-party customers.

(ii) Purchases

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

	Purchases				Payables to related parties		
	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ 682,713	1,295,951	1,751,864	3,802,098	1,022,051	1,186,708	1,543,010

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) Other income and others

	Amount				Other receivables from related parties		
	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Associates:							
Rental income	\$ 2,547	1,583	7,414	5,110	1,052	355	-
Property transactions	\$ 14	13	14	503	15	137	23
					<u>1,067</u>	<u>492</u>	<u>23</u>

(iv) Operating expense and others

	Amount				Other payables to related parties		
	July to September, 2017	July to September, 2016	January to September, 2017	January to September, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Associates:							
Property transactions	\$ 1,134	12,193	4,912	16,834	1,025	31,069	13,365
Other related parties:							
Contribution	\$ 3,150	1,350	5,850	1,318	-	-	-
					<u>1,025</u>	<u>31,069</u>	<u>13,365</u>

(v) Advances to related parties

The Group paid certain expenses on behalf of related parties including purchase, warranty expense, repair expense and other disbursement were as follows:

	Other receivables from related parties		
	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ <u>1,018</u>	<u>4,186</u>	<u>11,795</u>

(vi) Advances from related parties

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

	Other payables to related parties		
	September 30, 2017	December 31, 2016	September 30, 2016
Associates	\$ <u>10,566</u>	<u>12,185</u>	<u>17,196</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Receivables from related parties:			
Notes and accounts receivable	\$ <u>27,377</u>	<u>5,769</u>	<u>238,823</u>
Other receivable-related parties:			
Rental receivable	\$ 1,052	355	-
Receivable from sale of property, plant and equipment	15	137	23
Other receivables	<u>1,018</u>	<u>4,186</u>	<u>11,795</u>
	<u>\$ 2,085</u>	<u>4,678</u>	<u>11,818</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Payables to related parties:			
Notes and accounts payable	\$ <u>1,022,051</u>	<u>1,186,708</u>	<u>1,543,010</u>
Other payables-related parties:			
Payable to purchase of property, plant and equipment	\$ 1,025	31,069	13,365
Other payables	<u>10,566</u>	<u>12,185</u>	<u>17,196</u>
	<u>\$ 11,591</u>	<u>43,254</u>	<u>30,561</u>

(d) Transactions with key management personnel

Key management personnel compensation:

	<u>July to September, 2017</u>	<u>July to September, 2016</u>	<u>January to September, 2017</u>	<u>January to September, 2016</u>
Short-term employee benefits	\$ 15,153	14,418	43,472	43,864
Post-employment benefits	<u>296</u>	<u>292</u>	<u>872</u>	<u>901</u>
	<u>\$ 15,449</u>	<u>14,710</u>	<u>44,344</u>	<u>44,765</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Pledged assets:

The carrying values of pledged assets are as follow:

Pledged assets	Object	September 30, 2017	December 31, 2016	September 30, 2016
Property, plant and equipment-lands and buildings	Bank loan	\$ -	333,080	372,805
Other current assets-restricted bank deposit	Bank loan guarantee	303,060	-	-
Other non-current assets-restricted bank deposit	Stand by L/C	9,577	9,434	9,493
Other non-current assets-restricted bank deposit	Foreign exchange guarantee	-	325,745	329,154
Other non-current assets-restricted bank deposit	Custom guarantee	9,061	6,456	6,273
Other non-current assets-restricted bank deposit	Performance guarantee	-	-	4,514
Other non-current assets-restricted bank deposit	Litigation guarantee	1,421	980	864
Other non-current assets-restricted bank deposit	Bank loan guarantee	151,530	-	-
		<u>\$ 474,649</u>	<u>675,695</u>	<u>723,103</u>

(9) Commitments and contingencies:

- (a) As of September 30, 2017, December 31 and September 30, 2016, the unused letters of credit were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Unused letters of credit	<u>\$ 110,081</u>	<u>90,566</u>	<u>137,698</u>

- (b) Major litigation

Qualcomm Inc. filed a patent infringement lawsuit against the Company and other three ODM companies in the United States District Court - Southern District of California on May 17, 2017. The above three ODM companies and the Company also filed a counterclaim against Qualcomm Inc. on July 19, 2017. The case is still in legal proceedings with the assistance of attorney.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Other:

- (a) Total personnel, depreciation and amortization expenses categorized by function for the nine-month periods ended September 30, 2017 and 2016 were as follows:

	July to September, 2017			July to September, 2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	5,000,589	2,850,227	7,850,816	3,643,697	2,424,710	6,068,407
Labor and health insurance	541,777	239,249	781,026	406,808	231,261	638,069
Pension	18,452	101,099	119,551	18,346	99,429	117,775
Others	1,232,622	163,676	1,396,298	195,965	151,633	347,598
Depreciation	1,585,094	320,265	1,905,359	1,416,838	492,374	1,909,212
Amortization	2,784	73,036	75,820	1,670	107,233	108,903

	January to September, 2017			January to September, 2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	12,395,536	7,991,863	20,387,399	9,906,522	7,307,458	17,213,980
Labor and health insurance	1,412,500	725,144	2,137,644	1,201,876	693,733	1,895,609
Pension	52,380	292,900	345,280	54,087	291,442	345,529
Others	2,522,467	474,492	2,996,959	489,414	423,566	912,980
Depreciation	4,597,339	1,138,406	5,735,745	4,263,295	1,509,734	5,773,029
Amortization	8,173	232,641	240,814	6,209	325,103	331,312

- (b) Operation seasonal factors

The operation of the Group is neither seasonal nor cyclical.

(13) Segment information:

	July to September, 2017			
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 190,338,598	21,893,441	-	212,232,039
Segment revenues	1,266,767	355,881	(1,622,648)	-
Total revenues	\$ 191,605,365	22,249,322	(1,622,648)	212,232,039
Segment profit	\$ 1,119,046	556,867	(252,079)	1,423,834

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	July to September, 2016			
	<u>R&D and Manufacturing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Revenues from external customers	\$ 143,282,072	25,256,149	-	168,538,221
Segment revenues	1,345,941	329,635	(1,675,576)	-
Total revenues	\$ 144,628,013	25,585,784	(1,675,576)	168,538,221
Segment profit	\$ 1,027,709	255,432	(485,820)	797,321

	January to September, 2017			
	<u>R&D and Manufacturing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Revenues from external customers	\$ 516,296,640	58,181,695	-	574,478,335
Segment revenues	3,733,700	980,915	(4,714,615)	-
Total revenues	\$ 520,030,340	59,162,610	(4,714,615)	574,478,335
Segment profit	\$ 3,276,919	323,865	(134,644)	3,466,140

	January to September, 2016			
	<u>R&D and Manufacturing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Revenues from external customers	\$ 387,927,709	61,933,271	-	449,860,980
Segment revenues	4,350,871	1,109,858	(5,460,729)	-
Total revenues	\$ 392,278,580	63,043,129	(5,460,729)	449,860,980
Segment profit	\$ 3,299,484	459,386	(1,445,012)	2,313,858

	September 30, 2017			
	<u>R&D and Manufacturing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Accounts receivable	\$ 74,195,327	27,972,967	-	102,168,294
Inventories	83,852,099	10,480,330	-	94,332,429
Segment identifiable assets	\$ 158,047,426	38,453,297	-	196,500,723
General assets				136,103,067
Total assets				\$ 332,603,790

	September 30, 2016			
	<u>R&D and Manufacturing</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Accounts receivable	\$ 58,308,013	24,380,935	-	82,688,948
Inventories	58,954,611	13,733,894	-	72,688,505
Segment identifiable assets	117,262,624	38,114,829	-	155,377,453
General assets				139,100,394
Total assets				\$ 294,477,847