

**WISTRON CORPORATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 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 March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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)
May 5, 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.

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2017, December 31, and March 31, 2016

(expressed in thousands of New Taiwan dollars)

Assets		March 31, 2017		December 31, 2016		March 31, 2016		Liabilities and Equity		March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 52,386,866	20	57,561,050	21	53,531,875	21	2100	Short-term loans (notes 6(j) and 8)	\$ 49,283,478	19	44,762,259	16	62,748,162	25
1110	Financial assets at fair value through profit or loss-current (note 6(b))	147,011	-	258,924	-	931,085	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	183,883	-	25,130	-	1,786,742	1
1125	Available-for-sale financial assets-current (note 6(b))	505,176	-	756,632	-	431,412	-	2170	Notes and accounts payable	101,944,448	39	123,035,225	44	77,767,990	31
1170	Notes and accounts receivable, net (note 6(c))	64,027,777	25	89,727,482	32	60,502,857	24	2180	Accounts payable-related parties (note 7)	861,454	-	1,186,708	-	1,391,102	1
1180	Accounts receivable-related parties (notes 6(c) and 7)	11,690	-	5,769	-	288,373	-	2220	Other payables-related parties (note 7)	29,359	-	43,254	-	24,286	-
1210	Other receivables-related parties (notes 6(c) and 7)	4,949	-	4,678	-	12,880	-	2250	Provisions (note 6(k))	2,031,396	1	2,140,679	1	1,836,551	1
1220	Current tax assets	1,205,555	1	1,163,657	-	1,295,500	1	2322	Current portion of long-term loans (notes 6(j) and 8)	150,000	-	1,441,160	-	1,935,209	1
130X	Inventories (note 6(d))	73,502,775	28	65,216,279	23	63,909,617	26	2399	Other current liabilities (note 6(k))	25,060,140	10	24,818,792	9	16,766,972	6
1476	Other financial assets-current	2,665,405	1	255,943	-	2,859,799	1		Total current liabilities	<u>179,544,158</u>	<u>69</u>	<u>197,453,207</u>	<u>70</u>	<u>164,257,014</u>	<u>66</u>
1479	Other current assets (notes 6(c)(i))	11,240,680	4	10,706,317	4	10,308,525	4	2540	Long-term loans (notes 6(j) and 8)	11,152,447	4	11,567,720	4	12,136,037	4
	Total current assets	<u>205,697,884</u>	<u>79</u>	<u>225,656,731</u>	<u>80</u>	<u>194,071,923</u>	<u>77</u>	2570	Deferred tax liabilities	3,745,637	1	3,746,258	1	4,838,245	2
	Non-current assets:							2600	Other non-current liabilities	1,982,578	1	2,019,924	1	2,014,537	1
1523	Available-for-sale financial assets-non-current (note 6(b))	2,622,157	1	2,802,720	1	2,806,385	1		Total non-current liabilities	<u>16,880,662</u>	<u>6</u>	<u>17,333,902</u>	<u>6</u>	<u>18,988,819</u>	<u>7</u>
1543	Financial assets carried at cost-non-current (note 6(b))	1,507,498	1	1,539,065	1	1,322,114	1		Total liabilities	<u>196,424,820</u>	<u>75</u>	<u>214,787,109</u>	<u>76</u>	<u>183,245,833</u>	<u>73</u>
1550	Equity-accounted investees (notes 6(e)(f))	5,923,519	2	5,928,289	2	6,571,549	3		Equity attributable to owners of parent (notes 6(n)(o)(p)):						
1600	Property, plant and equipment (notes 6(g), 7 and 8)	35,902,637	14	36,448,176	13	36,357,401	14	3110	Capital stock	26,503,165	10	26,503,165	9	25,554,824	10
1780	Intangible assets (note 6(h))	1,184,322	-	1,247,465	-	1,899,676	1	3200	Capital surplus	21,434,222	8	21,353,585	8	21,089,887	8
1840	Deferred tax assets	5,094,223	2	4,991,405	2	5,573,646	2	3300	Retained earnings	21,889,126	9	21,344,172	8	22,578,514	9
1990	Other non-current assets (notes 6(i) and 8)	3,343,355	1	4,141,707	1	2,856,889	1	3400	Other equity interest	(3,287,740)	(1)	636,406	-	1,342,492	1
	Total non-current assets	<u>55,577,711</u>	<u>21</u>	<u>57,098,827</u>	<u>20</u>	<u>57,387,660</u>	<u>23</u>	3500	Treasury shares	(2,449,730)	(1)	(2,592,278)	(1)	(2,628,947)	(1)
	Total assets	<u>\$ 261,275,595</u>	<u>100</u>	<u>282,755,558</u>	<u>100</u>	<u>251,459,583</u>	<u>100</u>		Total equity attributable to owners of parent:	<u>64,089,043</u>	<u>25</u>	<u>67,245,050</u>	<u>24</u>	<u>67,936,770</u>	<u>27</u>
								36XX	Non-controlling interests	<u>761,732</u>	<u>-</u>	<u>723,399</u>	<u>-</u>	<u>276,980</u>	<u>-</u>
									Total equity	<u>64,850,775</u>	<u>25</u>	<u>67,968,449</u>	<u>24</u>	<u>68,213,750</u>	<u>27</u>
									Total liabilities and equity	<u>\$ 261,275,595</u>	<u>100</u>	<u>282,755,558</u>	<u>100</u>	<u>251,459,583</u>	<u>100</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 Comprehensive Income

For the three-month periods ended March 31, 2017 and 2016

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

		For the three months ended March 31			
		2017		2016	
		Amount	%	Amount	%
4000	Net revenues (notes 6(k)(r) and 7)	\$ 168,408,112	100	134,695,622	100
5000	Cost of sales (notes 6(d)(g)(m)(s), 7 and 12)	<u>162,044,304</u>	<u>96</u>	<u>127,029,997</u>	<u>94</u>
5900	Gross profit	<u>6,363,808</u>	<u>4</u>	<u>7,665,625</u>	<u>6</u>
Operating expenses (notes 6(c)(g)(m)(s), 7 and 12):					
6100	Selling	1,897,599	1	2,143,226	2
6200	Administrative	617,871	1	738,250	1
6300	Research and development	<u>3,357,179</u>	<u>2</u>	<u>3,255,878</u>	<u>2</u>
	Total operating expenses	<u>5,872,649</u>	<u>4</u>	<u>6,137,354</u>	<u>5</u>
	Operating income	<u>491,159</u>	<u>-</u>	<u>1,528,271</u>	<u>1</u>
Non-operating income and expenses:					
7010	Other income (notes 6(r) and 7)	296,390	-	240,648	-
7020	Other gains and losses (note 6(r))	436,677	-	(768,592)	(1)
7050	Finance costs (note 6(r))	(509,035)	-	(494,210)	-
7060	Recognized share of associates and joint ventures accounted for equity method (note 6(e))	<u>61,702</u>	<u>-</u>	<u>96,775</u>	<u>-</u>
	Total non-operating income and expenses	<u>285,734</u>	<u>-</u>	<u>(925,379)</u>	<u>(1)</u>
7900	Profit before tax	776,893	-	602,892	-
7950	Less: income tax expense (note 6(n))	<u>194,223</u>	<u>-</u>	<u>205,463</u>	<u>-</u>
8200	Net profit	<u>582,670</u>	<u>-</u>	<u>397,429</u>	<u>-</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	(3,638,850)	(2)	(1,346,577)	(1)
8362	Unrealized losses on valuation of available-for-sale financial assets	(196,402)	-	(87,104)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for equity method	(78,228)	-	(18,174)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(3,089)</u>	<u>-</u>	<u>(437)</u>	<u>-</u>
	Other comprehensive income, net of tax	<u>(3,910,391)</u>	<u>(2)</u>	<u>(1,451,418)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ (3,327,721)</u>	<u>(2)</u>	<u>(1,053,989)</u>	<u>(1)</u>
Net profit attributable to:					
8610	Owners of parent	\$ 544,954	-	383,030	-
8620	Net profit non-controlling interests	<u>37,716</u>	<u>-</u>	<u>14,399</u>	<u>-</u>
		<u>\$ 582,670</u>	<u>-</u>	<u>397,429</u>	<u>-</u>
Comprehensive income attributable to:					
8710	Owners of parent	\$ (3,363,358)	(2)	(1,067,369)	(1)
8720	Non-controlling interests	<u>35,637</u>	<u>-</u>	<u>13,380</u>	<u>-</u>
	Total comprehensive income	<u>\$ (3,327,721)</u>	<u>(2)</u>	<u>(1,053,989)</u>	<u>(1)</u>
Earnings per share (in dollars), after tax (note 6(q))					
9750	Basic earnings per share	<u>\$ 0.22</u>		<u>0.16</u>	
9850	Diluted earnings per share	<u>\$ 0.21</u>		<u>0.15</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 three-month periods ended March 31, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent												Non-controlling interest	Total equity
	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 gains (losses) 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	-	-	-	-	383,030	383,030	-	-	-	-	-	383,030	14,399	397,429
Other comprehensive income	-	-	-	-	-	-	(1,363,082)	(87,317)	-	(1,450,399)	-	(1,450,399)	(1,019)	(1,451,418)
Total comprehensive income	-	-	-	-	383,030	383,030	(1,363,082)	(87,317)	-	(1,450,399)	-	(1,067,369)	13,380	(1,053,989)
Increase in capital surplus and unappropriated earnings resulting from equity-accounted investees	-	118,859	-	-	33,107	33,107	-	-	-	-	-	151,966	-	151,966
Treasury stock transferred to employees	-	(276)	-	-	-	-	-	-	-	-	92,236	91,960	-	91,960
Changes in ownership interests in subsidiaries	-	2,062	-	-	-	-	-	-	-	-	-	2,062	-	2,062
Share-based payment transactions	-	261,914	-	-	-	-	-	-	(219,269)	(219,269)	-	42,645	-	42,645
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(238,107)	(238,107)
Balance at March 31, 2016	\$ 25,554,824	21,089,887	7,161,606	1,394,277	14,022,631	22,578,514	2,079,663	(495,513)	(241,658)	1,342,492	(2,628,947)	67,936,770	263,600	68,213,750
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	-	-	-	-	544,954	544,954	-	-	-	-	-	544,954	37,716	582,670
Other comprehensive income	-	-	-	-	-	-	(3,724,802)	(183,510)	-	(3,908,312)	-	(3,908,312)	(2,079)	(3,910,391)
Total comprehensive income	-	-	-	-	544,954	544,954	(3,724,802)	(183,510)	-	(3,908,312)	-	(3,363,358)	35,637	(3,327,721)
Changes in ownership interests in subsidiaries	-	32	-	-	-	-	-	-	-	-	-	32	-	32
Decrease in capital surplus and unappropriated earnings resulting from equity-account investees	-	(7,411)	-	-	-	-	-	-	-	-	-	(7,411)	-	(7,411)
Share-based payment transactions	-	93,568	-	-	-	-	-	-	(15,834)	(15,834)	-	77,734	-	77,734
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	2,696	2,696
Treasury stock transferred to employees	-	(5,552)	-	-	-	-	-	-	-	-	142,548	136,996	-	136,996
Balance at March 31, 2017	\$ 26,503,165	21,434,222	7,295,015	-	14,594,111	21,889,126	(2,523,375)	(634,810)	(129,555)	(3,287,740)	(2,449,730)	64,089,043	761,732	64,850,775

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 three-month periods ended March 31, 2017 and 2016****(expressed in thousands of New Taiwan dollars)**

	For the three months ended March 31	
	2017	2016
Cash flows from operating activities:		
Profit before tax	\$ 776,893	602,892
Adjustments to reconcile net income to net cash generated from (used in) operating activities:		
Depreciation expense	1,930,401	1,964,695
Amortization expense	84,968	112,054
Bad debt expense	701	703
Net loss on financial assets or liabilities at fair value through profit or loss	270,667	2,134,020
Interest expense	509,035	494,210
Interest income	(278,019)	(197,312)
Dividend income	-	(11,455)
Compensation cost arising from shares-based payment	79,230	45,243
Recognized share of associates and joint ventures accounted for equity method	(61,702)	(96,775)
Loss on disposal of property, plant and equipment	2,181	14,946
Property, plant and equipment reclassified as expenses	10,023	89
Other assets reclassified as expense	11,639	11,288
Gain on disposal of intangible assets	-	(60,562)
Gain on disposal of investments	(14,712)	(1,593)
Other investments loss (gain)	(15)	1,021
Impairment loss on assets	39,777	43,783
	<u>2,584,174</u>	<u>4,454,355</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable	23,808,952	29,716,029
Increase in accounts receivable-related parties	(25,877)	(1,974,008)
Increase in other receivable-related parties	(1,508)	(144)
Decrease (increase) in inventories	(11,755,318)	2,288,399
Increase in other current assets	(738,620)	(454,423)
Total changes in operating assets	<u>11,287,629</u>	<u>29,575,853</u>
Changes in operating liabilities:		
Decrease in accounts payable	(16,903,832)	(20,028,112)
Increase (decrease) in accounts payable-related parties	(1,139,400)	1,358,251
Increase (decrease) in other payable-related parties	(60,677)	144,059
Decrease in provisions	(109,181)	(248,757)
Increase (decrease) in other current liabilities	615,881	(714,376)
Decrease in other non-current liabilities	(19,739)	(319,797)
Total changes in operating liabilities	<u>(17,616,948)</u>	<u>(19,808,732)</u>
Net changes in operating assets and liabilities	<u>(6,329,319)</u>	<u>9,767,121</u>
Total changes in operating assets and liabilities	<u>(3,745,145)</u>	<u>14,221,476</u>
Cash generated from (used in) operations	<u>(2,968,252)</u>	<u>14,824,368</u>
Interest received	265,195	214,614
Dividends received	-	12,014
Interest paid	(517,619)	(537,944)
Income taxes paid	(285,885)	(305,308)
Net cash generated from (used in) operating activities	<u>(3,506,561)</u>	<u>14,207,744</u>
Cash flows used in investing activities:		
Increase in other receivable-related parties	-	(2,690)
Increase in available-for-sale financial assets	(3,100,135)	(1,434,499)
Proceeds from disposal of available-for-sale financial assets	3,327,530	1,022,611
Increase in financial assets at cost	(11,433)	(32,931)
Return of capital of financial assets at cost	15	18,370
Increase in equity-accounted investees	(88,897)	(14,066)
Proceeds from disposal of equity-accounted investees	18	-
Increase in property, plant and equipment	(2,161,683)	(1,121,843)
Proceeds from disposal of property, plant and equipment	9,470	70,694
Increase in intangible assets	(30,438)	(305,425)
Proceeds from disposal of intangible assets	-	152,816
Decrease in refundable deposits	119	-
Increase in other financial assets	(2,480,695)	(2,937,002)
Increase in other non-current assets	(477,476)	(22,251)
Cash out flow through the change in consolidated entities	-	(375,901)
Net cash flows used in investing activities	<u>(5,013,605)</u>	<u>(4,982,117)</u>
Cash flows generated from (used in) financing activities:		
Increase of short-term loans	120,568,170	44,371,442
Repayments of short-term loans	(114,505,921)	(58,675,047)
Increase in long-term loans	2,982,039	4,320,663
Repayments of long-term loans	(4,688,472)	(3,736,427)
Increase (decrease) in deposits received	(12,005)	14,199
Treasury shares transferred to employees	136,996	91,960
Changes in non-controlling interests	1,232	(376)
Net cash flows generated from (used in) financing activities	<u>4,482,039</u>	<u>(13,613,586)</u>
Effect of exchange rate changes	<u>(1,136,057)</u>	<u>(639,920)</u>
Net decrease in cash and cash equivalents	<u>(5,174,184)</u>	<u>(5,027,879)</u>
Cash and cash equivalents at beginning of period	<u>57,561,050</u>	<u>58,559,754</u>
Cash and cash equivalents at end of period	<u>\$ 52,386,866</u>	<u>\$ 53,531,875</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2017 and 2016

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 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 three-month periods ended March 31, 2017 and 2016 were authorized for issuance by the Board of Directors on May 5, 2017.

(3) New standards, amendments and interpretations adopted

- (a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already taken effect.

The Group is required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

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 “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
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012- 2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on its consolidated interim financial statements.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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The Group is still currently determining the potential impact of the standards listed below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
May 28, 2014 April 12, 2016	IFRS 15 “Revenue from Contracts with Customers”	<p>IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 “Revenue,” IAS 11 “Construction Contracts,” and a number of revenue-related interpretations.</p> <p>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</p>
November 19, 2013 July 24, 2014	IFRS 9 “Financial Instruments”	<p>The new standard will replace IAS 39 “Financial Instruments: Recognition and Measurement”, and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that “own credit risk” adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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 financial position and financial performance upon 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.

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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		
		March 31, 2017	December 31, 2016	March 31, 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	WisVision Corporation (“WVS”, British Virgin Islands)	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)	60.48	60.56	76.92
Cowin/AIIH	Wistron InfoComm (Zhongshan) Corporation (“WZS”, China)	100.00	100.00	100.00
AIIH	AII 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)	60.48	60.56	76.92
WYHQ	Wiwynn International Corporation (“WYUDE”, U.S.A.)	60.48	60.56	76.92
WYHQ	Wiwynn Korea Ltd. (“WYKR”, South Korea)	60.48	60.56	-
WYHK	Wiwynn Technology Service Kunshan, Ltd. (“WYKS”, China)	60.48	60.56	76.92
WMH	Wistron Medical Technology Corporation (“WMT”, Taiwan)	100.00	100.00	-
WMT	Wistron Medical Tech (Chongqing) Co., Ltd. (“WMCQ”, China)	100.00	100.00	-

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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		
		March 31, 2017	December 31, 2016	March 31, 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	-
the Company	Anwith Corporation ("ANC", U.S.A.)	100.00	100.00	-
the Company	SMS Infocomm Global Service (CQ) ("WSCQ", China)	100.00	100.00	-
the Company	SMS InfoComm Chile Servicios Limitada ("WSCL", Chile)	100.00	100.00	-
the Company/AIHH	SMS InfoComm Technology Services and Management Solutions Ltd. ("WBR", Brazil)	100.00	100.00	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 Optronics (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		
		March 31, 2017	December 31, 2016	March 31, 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

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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		
		March 31, 2017	December 31, 2016	March 31, 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		
		March 31, 2017	December 31, 2016	March 31, 2016
the Company	WiEdu Hong Kong Limited ("WEHK", Hong Kong)	81.27	81.27	70.03
WEHK	WIEDU CORPORATION ("WETW", Taiwan)	81.27	81.27	70.03
WEHK	Weshtek Information Technology Services Co., Ltd., Shanghai ("WESH", China)	81.27	81.27	70.03

6) Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership		
		March 31, 2017	December 31, 2016	March 31, 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	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)	60.48	60.56	76.92
the Company	Wistron Medical Tech Holding Company ("WMH", Taiwan)	100.00	100.00	-
the Company	Wistron Digital Technology Holding Corporation ("WDH", Taiwan)	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 paragraph B12 of 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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 24,333	39,939	24,875
Demand and check deposits	33,875,816	45,338,202	41,979,476
Time deposits	<u>19,754,693</u>	<u>13,485,878</u>	<u>11,527,524</u>
Cash and cash equivalents	53,654,842	58,864,019	53,531,875
Bank overdrafts used for cash management purposes	<u>(1,267,976)</u>	<u>(1,302,969)</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 52,386,866</u>	<u>57,561,050</u>	<u>53,531,875</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.

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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:

	March 31, 2017	December 31, 2016	March 31, 2016
Foreign currency swap contracts	\$ 121,649	254,515	925,449
Foreign currency forward contracts	<u>25,362</u>	<u>4,409</u>	<u>5,636</u>
	<u>\$ 147,011</u>	<u>258,924</u>	<u>931,085</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Foreign currency swap contracts	\$ 129,449	19,071	1,732,235
Foreign currency forward contracts	<u>54,434</u>	<u>6,059</u>	<u>54,507</u>
	<u>\$ 183,883</u>	<u>25,130</u>	<u>1,786,742</u>

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 March 31, 2017, December 31 and March 31, 2016, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

March 31, 2017		December 31, 2016	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
<u>USD 953,000</u>	TWD Put / USD Call	<u>USD 1,365,000</u>	TWD Put/USD Call
-	-	<u>USD 27,000</u>	USD Put /TWD Call
March 31, 2016			
Amount (in thousands)	Currency		
<u>USD 30,000</u>	USD Put /TWD Call		
<u>USD 1,565,000</u>	USD Put /CNY Call		
<u>USD 1,530,000</u>	CNY Put /USD Call		
<u>USD 1,125,000</u>	TWD Put / USD Call		

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Foreign currency forward contracts:

March 31, 2017		December 31, 2016	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
USD <u>593,000</u>	TWD Put / USD Call	-	-
-	-	USD <u>74,000</u>	USD Put /TWD Call
-	-	USD <u>15,000</u>	USD Put /CNY Call
March 31, 2016			
Amount (in thousands)	Currency		
USD <u>3,000</u>	USD Put /CNY Call		
USD <u>193,000</u>	TWD Put / USD Call		
USD <u>722</u>	XAU Put / USD Call		

(ii) Available-for-sale financial assets

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

	March 31, 2017	December 31, 2016	March 31, 2016
Funds	\$ <u>505,176</u>	<u>756,632</u>	<u>431,412</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Investment in listed securities:			
Stock listed on domestic markets	\$ 1,973,301	2,228,090	2,207,842
Stock listed on foreign markets	463	485	9,478
Convertible bonds	-	-	20,220
Investment in unlisted securities:			
Stock unlisted on domestic markets	102,824	108,578	148,372
Stock unlisted on foreign markets	<u>545,569</u>	<u>465,567</u>	<u>420,473</u>
	<u>\$ 2,622,157</u>	<u>2,802,720</u>	<u>2,806,385</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

<u>Price of securities at reporting date</u>	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Increasing 3%	\$ <u>75,880</u>	<u>81,999</u>
Decreasing 3%	\$ <u>(75,880)</u>	<u>(81,999)</u>

(iii) Financial assets measured at cost:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
Stock unlisted on domestic markets	\$ 170,000	170,000	170,000
Stock unlisted on foreign markets	699,305	730,872	729,805
Others	<u>638,193</u>	<u>638,193</u>	<u>422,309</u>
	<u>\$ 1,507,498</u>	<u>1,539,065</u>	<u>1,322,114</u>

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

(c) Notes and accounts receivable and other receivables

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
Notes receivable	\$ 603	2,743	1,195
Accounts receivable	64,849,061	90,546,481	61,133,350
Accounts receivable-related parties	11,690	5,769	288,373
Other current assets-other receivables	6,845,805	6,103,401	5,638,275
Other receivables-related parties	4,949	4,678	12,880
Less: allowance for doubtful accounts	<u>(821,887)</u>	<u>(821,742)</u>	<u>(631,688)</u>
	<u>\$ 70,890,221</u>	<u>95,841,330</u>	<u>66,442,385</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Past due 0~30 days	\$ 518,876	2,726,386	369,140
Past due 31~60 days	246,344	151,576	179,143
Past due 61~90 days	109,487	56,612	80,879
Past due 91~120 days	120,838	37,147	5,097
Past due over 120 days	269,399	295,327	426,872
	<u>\$ 1,264,944</u>	<u>3,267,048</u>	<u>1,061,131</u>

The Group believed that the receivables were recoverable basing on historical default rates and analysis of clients' credit rating.

For the three-month periods ended March 31, 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	\$ 622,828	198,914	821,742
Impairment loss recognized	-	701	701
Effect of changes in foreign exchange rates	(556)	-	(556)
Balance at March 31, 2017	<u>\$ 622,272</u>	<u>199,615</u>	<u>821,887</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	471	232	703
Reclassification	379	(379)	-
Effect of changes in foreign exchange rates	1,235	-	1,235
Balance at March 31, 2016	<u>\$ 630,748</u>	<u>940</u>	<u>631,688</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group assesses the impairment losses of the notes receivables, accounts receivables and other receivables 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 March 31, 2017, December 31 and March 31, 2016, the factored accounts receivable that conformed to the derecognition criteria were as follows:

Unit: USD in thousands

March 31, 2017					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 2,447,930	2,881,664	2,162,184	1,321,000	Without recourse	2,209,077
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
March 31, 2016					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 1,795,837	2,700,155	1,537,697	1,671,000	Without recourse	1,584,305

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 March 31, 2017, December 31 and March 31, 2016, the amounts among the factored accounts receivable of \$1,422,562, \$2,310,208 and \$1,689,059 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 three-month periods ended March 31, 2017 and 2016, the average annual interest rates on factored accounts receivable were 1.38%~2.14% to and 1.10%~1.74%, respectively.

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

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Inventories

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Raw materials	\$ 27,718,362	25,107,842	22,734,448
Work in progress	8,561,190	6,156,413	8,607,729
Finished goods	25,325,621	23,709,456	22,456,256
Inventory in transit	<u>11,897,602</u>	<u>10,242,568</u>	<u>10,111,184</u>
	<u>\$ 73,502,775</u>	<u>65,216,279</u>	<u>63,909,617</u>

(i) For the three-month periods ended March 31, 2017 and 2016, the cost of goods sold of inventory cost were \$162,044,304 and \$127,029,997, respectively.

(ii) For the three-month periods ended March 31, 2017 and 2016, the amount of the loss on valuation of inventories and obsolescence and scrap loss due to the write-downs of inventories to the net realized value were \$1,298,918 and \$255,275, respectively.

(iii) As of March 31, 2017 and 2016, the inventories were not pledged.

(e) Equity-accounted investees

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Associates	<u>\$ 5,923,519</u>	<u>5,928,289</u>	<u>6,571,549</u>

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
WNC	\$ 3,408,164	7,501,801	3,314,100	7,589,747	3,319,196	7,360,148
AOI	115,360	153,160	134,598	151,915	213,775	248,729
WITS	255,515	309,135	262,640	282,327	322,119	259,495
Formosa Prosonic Industries Berhad	<u>356,023</u>	<u>417,743</u>	<u>369,459</u>	<u>433,429</u>	<u>489,085</u>	<u>485,015</u>
	<u>\$ 4,135,062</u>	<u>8,381,839</u>	<u>4,080,797</u>	<u>8,457,418</u>	<u>4,344,175</u>	<u>8,353,387</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (ii) For the three-month periods ended March 31, 2017 and 2016, the recognized share of profits and other comprehensive income of associates were as follows:

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Attributable to the Group:		
Net profit	\$ 61,702	96,775
Other comprehensive income	<u>(78,228)</u>	<u>(18,174)</u>
Comprehensive income	<u>\$ (16,526)</u>	<u>78,601</u>

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Total assets	<u>\$ 48,118,591</u>	<u>49,744,657</u>	<u>50,233,651</u>
Total liabilities	<u>\$ 25,905,855</u>	<u>27,425,778</u>	<u>26,820,136</u>

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Revenue	<u>\$ 14,985,105</u>	<u>17,520,197</u>
Profit	<u>\$ 318,217</u>	<u>262,750</u>

- (iv) Collateral

As of March 31, 2017 and 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 three-month periods ended March 31, 2017 and 2016, were as follows:

	<u>Land</u>	<u>Building and improvements</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Research and development equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 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	130,211	173,105	1,234,087	94,646	40,632	85,338	403,664	2,161,683
Reclassification (Note)	-	1,181,400	675,952	141,629	49	-	(949,572)	1,049,458
Reclassified as expense	-	-	(5,505)	(2,400)	-	-	(2,118)	(10,023)
Disposals	-	(18,548)	(259,558)	(70,815)	(3,503)	(16,475)	(139,011)	(507,910)
Effect of changes in foreign exchange rates	(17,159)	(1,435,693)	(1,219,225)	(21,221)	(32,796)	(76,607)	(505,120)	(3,307,821)
Balance at March 31, 2017	<u>\$ 3,504,585</u>	<u>26,474,720</u>	<u>20,981,089</u>	<u>13,179,898</u>	<u>2,658,351</u>	<u>2,340,299</u>	<u>8,380,033</u>	<u>77,518,975</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	-	15,796	465,173	97,293	26,803	11,458	505,320	1,121,843
Reclassification (Note)	-	126,886	190,251	200,842	(130,519)	-	(105,002)	282,458
Reclassified as expense	-	-	-	-	-	(89)	-	(89)
Disposals	-	(3,110)	(338,644)	(104,943)	(196,753)	(2,855)	(78,524)	(724,829)
Effect of changes in foreign exchange rates	8,388	(507,277)	(437,703)	(938)	(10,687)	(24,597)	(176,015)	(1,148,829)
Balance at March 31, 2016	<u>\$ 3,403,780</u>	<u>26,646,289</u>	<u>19,018,066</u>	<u>15,408,048</u>	<u>2,420,933</u>	<u>2,327,133</u>	<u>8,348,929</u>	<u>77,573,178</u>
Accumulated depreciation:								
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	-	407,469	802,958	333,236	88,929	54,545	243,264	1,930,401
Reclassification (Note)	-	-	(5,314)	-	-	-	-	(5,314)
Impairment loss	-	-	(3,223)	-	-	-	-	(3,223)
Disposals	-	(18,489)	(252,065)	(70,815)	(1,585)	(15,968)	(137,337)	(496,259)
Effect of changes in foreign exchange rates	-	(519,309)	(623,829)	(6,609)	(22,158)	(59,519)	(263,255)	(1,494,679)
Balance at March 31, 2017	<u>\$ -</u>	<u>9,258,357</u>	<u>10,892,388</u>	<u>12,485,960</u>	<u>2,145,147</u>	<u>1,896,735</u>	<u>4,937,751</u>	<u>41,616,338</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	-	419,895	788,624	343,814	77,378	72,753	262,231	1,964,695
Reclassification (Note)	-	-	170	-	-	-	(170)	-
Disposals	-	(3,110)	(252,236)	(104,879)	(202,928)	(2,509)	(73,527)	(639,189)
Effect of changes in foreign exchange rates	-	(170,782)	(222,104)	(377)	(5,468)	(18,367)	(93,823)	(510,921)
Balance at March 31, 2016	<u>\$ -</u>	<u>8,264,653</u>	<u>9,924,881</u>	<u>14,663,119</u>	<u>1,853,677</u>	<u>1,795,689</u>	<u>4,713,758</u>	<u>41,215,777</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 March 31, 2017	<u>\$ 3,504,585</u>	<u>17,216,363</u>	<u>10,088,701</u>	<u>693,938</u>	<u>513,204</u>	<u>443,564</u>	<u>3,442,282</u>	<u>35,902,637</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 March 31, 2016	<u>\$ 3,403,780</u>	<u>18,381,636</u>	<u>9,093,185</u>	<u>744,929</u>	<u>567,256</u>	<u>531,444</u>	<u>3,635,171</u>	<u>36,357,401</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 March 31, 2017 and 2016.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
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(h) Intangible assets

Carrying value :	<u>Patent</u>	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationships</u>	<u>Expertise</u>	<u>Other</u>	<u>Total</u>
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 March 31, 2017	\$ <u>279,319</u>	<u>561,485</u>	<u>292,872</u>	-	<u>50,646</u>	-	<u>1,184,322</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 March 31, 2016	\$ <u>825,832</u>	<u>561,485</u>	<u>449,406</u>	-	<u>62,909</u>	<u>44</u>	<u>1,899,676</u>

There were no significant additions, impairment loss or reversal gain for intangible assets for the three-month periods ended March 31, 2017 and 2016. Please refer to note 12(a) for the details 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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Other current assets:			
Other receivables	\$ 6,845,805	6,103,401	5,638,275
Prepaid royalties	546,927	419,782	711,228
Other prepayments	1,420,509	1,403,761	1,129,429
Tax refundables	1,743,219	2,005,006	1,962,083
Others	<u>684,220</u>	<u>774,367</u>	<u>867,510</u>
	<u>\$ 11,240,680</u>	<u>10,706,317</u>	<u>10,308,525</u>
Other non-current assets:			
Advance payment for equipments	\$ 678,154	1,318,657	650,132
Prepaid rent	1,761,241	1,883,513	1,799,623
Others	<u>903,960</u>	<u>939,537</u>	<u>407,134</u>
	<u>\$ 3,343,355</u>	<u>4,141,707</u>	<u>2,856,889</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(j) Bank loans

(i) Short-term loans

March 31, 2017			
	Currency	Interest rate collars	Expiration
Unsecured short-term bank loans	EUR	0.70%	2017/4/10
Unsecured short-term bank loans	JPY	0.32%~0.77%	2017/5/1~2017/8/1
Unsecured short-term bank loans	USD	1.16%~2.54%	2017/4/5~2018/3/9
Total			\$ 49,283,478
Unused credit line			\$ 152,835,358

December 31, 2016			
	Currency	Interest rate collars	Expiration
Unsecured short-term bank loans	EUR	0.70%	2017/1/1
Unsecured short-term bank loans	JPY	0.32%~0.77%	2017/1/30~2017/8/1
Unsecured short-term bank loans	CNY	3.92%	2017/1/17~2017/3/13
Unsecured short-term bank loans	USD	1.06%~2.54%	2017/1/3~2017/11/30
Total			\$ 44,762,259
Unused credit line			\$ 149,970,399

March 31, 2016			
	Currency	Interest rate collars	Expiration
Unsecured short-term bank loans	USD	0.74%~2.26%	2016/4/1~2017/3/16
Unsecured short-term bank loans	JPY	0.41%~0.82%	2016/4/13~2016/11/29
Unsecured short-term bank loans	CNY	4.12%	2016/4/1
Unsecured short-term bank loans	EUR	0.75%~0.90%	2016/4/1~2016/4/15
Unsecured short-term bank loans	SGD	2.30%~2.41%	2016/6/20
Unsecured short-term bank loans	INR	9.25%	2016/9/15
Total			\$ 62,748,162
Unused credit line			\$ 135,757,901

(ii) Long-term loans

March 31, 2017			
	Currency	Interest rate collars	Expiration
Unsecured long-term bank loans	NTD	1.15%	2017/9/26~2018/3/26
Unsecured long-term bank loans	USD	1.41%~2.39%	2017/9/22~2019/1/26
Subtotal			11,302,447
Less: current portion			(150,000)
Total			\$ 11,152,447
Unused credit line			\$ 612,214

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured long-term bank loans	USD	1.05%~2.18%	2017/1/12~2018/10/30	\$ 12,783,880
Unsecured long-term bank loans	NTD	1.15%	2017/3/26~2018/3/26	225,000
Subtotal				13,008,880
Less: current portion				(1,441,160)
Total				\$ 11,567,720
Unused credit line				\$ 1,071,281
March 31, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured long-term bank loans	USD	1.00%~1.81%	2017/1/1~2018/10/30	\$ 13,051,343
Unsecured long-term bank loans	EUR	0.94%	2017/1/12	713,600
Unsecured long-term bank loans	NTD	1.26%	2016/9/26~2019/3/14	300,000
Secured long-term bank loans	JPY	0.66%	2016/12/30	6,303
Subtotal				14,071,246
Less: current portion				(1,935,209)
Total				\$ 12,136,037
Unused credit line				\$ 1,441,263

(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 March 31, 2017, December 31 and March 31, 2016.

(iv) The interest expense for long-term and short-term loans for the years end March 31, 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	386,396	339,004
Provision used	(495,739)	(545,612)
Effect of changes in foreign exchange rates	60	(41,341)
Balance at March 31	\$ 2,031,396	1,836,551

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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

	<u>2017</u>	<u>2016</u>
Balance at January 1	\$ 4,918,511	3,307,116
Accrual	329,817	745,029
Payment	<u>(315,416)</u>	<u>(379,775)</u>
Balance at March 31	<u>\$ 4,932,912</u>	<u>3,672,370</u>

For the three-month periods ended March 31, 2017 and 2016, the provision of sales return and allowance would be recognized in “other current liabilities”, respectively.

(l) Operating leases

There were no significant new lease contracts for the three-month periods ended March 31, 2017 and 2016. Please refer to the note 6(m) of the consolidated financial statements for the year ended December 31, 2016, for other related information.

(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 three-month periods ended March 31, 2017 and 2016.

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

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Cost of sales	\$ 1,642	1,786
Selling expenses	1,926	2,673
Administrative expenses	1,288	1,489
Research and development expenses	<u>3,630</u>	<u>4,832</u>
	<u>\$ 8,486</u>	<u>10,780</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Defined contribution plans

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Cost of sales	\$ 15,271	15,939
Selling expenses	17,570	20,237
Administrative expenses	7,170	7,178
Research and development expenses	<u>62,976</u>	<u>58,802</u>
	<u>\$ 102,987</u>	<u>102,156</u>

(n) Income Taxes

(i) Income tax expense

The details of income tax expense were as follows:

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Current tax expense		
Current period	<u>\$ 194,223</u>	<u>205,463</u>

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

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Exchange differences on translation of foreign financial statements	\$ (218)	(260)
Unrealized losses on valuation of available-for-sale financial assets	<u>(2,871)</u>	<u>(177)</u>
	<u>\$ (3,089)</u>	<u>(437)</u>

(iii) The ROC income tax authorities have examined the Company's income tax returns for all years through 2014.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iv) Integrated income tax information

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

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings, before January 1, 1998	\$ -	-	-
Unappropriated earnings, from January 1, 1998	<u>14,594,111</u>	<u>14,049,157</u>	<u>14,022,631</u>
	<u>\$ 14,594,111</u>	<u>14,049,157</u>	<u>14,022,631</u>
Balance of deductible tax account	<u>\$ 3,860,167</u>	<u>3,862,057</u>	<u>3,004,028</u>
		<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Creditable ratio for earnings distribution to domestic stockholders		<u>29.66%</u>	<u>24.52%</u>

According to the announcement by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's income tax information and imputation tax credit information should be disclosed in compliance with the Decree. 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 2008, the tax authorities assessed the Company for an additional income tax of \$57,297 as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2008 income tax returns. The tax authorities adjudicated to return income tax for \$2,321 in October, 2015.
 - b) For 2009, the tax authorities assessed the Company for an additional income tax of \$41,154, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the tax authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2009 income tax returns. The Company had filed an administrative litigation and the tax authorities adjudicated to maintain the original assessment.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- c) For 2010, the tax authorities assessed the Company for an additional income tax of \$265,765, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2010 income tax returns. The tax authorities adjudicated to return income tax totaling to \$11,818 in November, 2015 and February 2016.
 - d) 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.
 - e) 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.
 - f) For 2013, the tax authorities assessed that the Company for an additional income tax of \$331,692, 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 2013 income tax returns. As of March 31, 2017, the appeal of the aforementioned returns was still in progress.
 - g) 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 March 31, 2017, the appeal of the aforementioned returns was still in progress.
- (o) Capital and Other Equities

Except for the following disclosures, there were no significant differences in capital and other equities for the three-month periods ended March 31, 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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(i) 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 March 31, 2017 and 2016, the treasury stock repurchased was 164,362,000 shares and 140,000,000 shares, respectively, and the stock transferred to employees was 49,186,000 shares and 5,638,000 shares, respectively. Therefore, the shares of treasury stock the Company hold as of March 31, 2017 and 2016 was 115,176,000 shares and 134,362,000 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.

(ii) Capital surplus

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000	1,800,000
A premium issuance of common shares for cash	19,137,751	19,137,751	18,881,938
Surplus arising from equity-accounted investees	194,588	201,967	219,651
Employee stock options	65,434	65,434	65,434
Restricted employee shares of stock	209,497	115,929	98,139
Transaction of treasury stock	<u>26,952</u>	<u>32,504</u>	<u>24,725</u>
	<u>\$ 21,434,222</u>	<u>21,353,585</u>	<u>21,089,887</u>

(iii) Unappropriated earnings

The Company's article of incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) Legal reserve

According to the amended ROC Company Act, which was published in January 2012, a company shall first set aside 10% of its net income 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) 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.

3) Earnings Distribution

On March 20, 2017, the Company's board of directors resolved to appropriate the 2016 earnings. On June 15, 2016, the shareholder's meetings resolved to distributed the 2015 earnings. These earnings were appropriated as follows:

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

The aforementioned distribution of common stock was no difference between the actual amounts and the amounts approved at the shareholders' meeting in 2015.

4) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements		Unrealized gain (losses) 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)	(3,636,603)	(88,199)	-	-	-
Unrealized gains (losses) on available-for-sale financial assets (net of tax)	-	-	(193,481)	9,971	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	(15,834)
Balance at March 31, 2017	\$ (2,279,700)	(243,675)	(735,875)	101,065	(129,555)

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on valuation of available- for-sale financial assets		Other unearned compensation for restricted employee shares of stock
	Group	Associates	Group	Associates	Group
Balance at January 1, 2016	\$ 3,417,186	25,559	(468,957)	60,761	(22,389)
Foreign currency translation differences (net of tax)	(1,345,309)	(17,773)	-	-	-
Unrealized losses on available-for-sale financial assets (net of tax)	-	-	(86,916)	(401)	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	(219,269)
Balance at March 31, 2016	<u>\$ 2,071,877</u>	<u>7,786</u>	<u>(555,873)</u>	<u>60,360</u>	<u>(241,658)</u>

(p) Share-based payment transactions

There were no significant differences in share-based payment transactions for the three-month periods ended March 31, 2017 and 2016. Please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2016 and for other related information.

(q) Earnings per share

	January to March, 2017	January to March, 2016
Basic earnings per share:		
Net profit belonging to common shareholders	<u>\$ 544,954</u>	<u>383,030</u>
Weighted average common stock outstanding (in thousands)	<u>2,513,221</u>	<u>2,451,553</u>
Basic EPS (New Taiwan Dollars)	<u>\$ 0.22</u>	<u>0.16</u>
Diluted earnings per share:		
Net profit belonging to common shareholders	<u>\$ 544,954</u>	<u>383,030</u>
Effect of potentially dilutive common stock (in thousands):		
Weighted average common stock outstanding (in thousands)	2,513,221	2,451,553
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	23,917	30,716
Restricted employee shares of stock	<u>17,195</u>	<u>28,617</u>
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>2,554,333</u>	<u>2,510,886</u>
Diluted EPS (New Taiwan Dollars)	<u>\$ 0.21</u>	<u>0.15</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(r) Revenue and non-operating income and expenses

(i) Revenue

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Computer, Communication & Consumer electronics	\$ 148,494,691	115,478,503
Others	<u>19,913,421</u>	<u>19,217,119</u>
	<u>\$ 168,408,112</u>	<u>134,695,622</u>

(ii) Other income

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Interest income	\$ 278,019	197,312
Dividend income	-	11,455
Rental income	<u>18,371</u>	<u>31,881</u>
	<u>\$ 296,390</u>	<u>240,648</u>

(iii) Other gain and loss

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Foreign exchange gains (losses), net	\$ 2,232,044	(124,718)
Gains on disposal of investment, net	14,712	1,593
Loss on disposal of property plant and equipment, net	(2,181)	(14,946)
Gain on disposal of intangible assets	-	60,562
Loss on valuation of financial assets or liabilities at fair value, net	(1,787,921)	(777,926)
Other investment gains (losses), net	15	(1,021)
Impairment loss on assets	(39,777)	(43,783)
Others	<u>19,785</u>	<u>131,647</u>
	<u>\$ 436,677</u>	<u>(768,592)</u>

(iv) Finance costs

	<u>January to March, 2017</u>	<u>January to March, 2016</u>
Interest expenses		
Bank loans	<u>\$ (509,035)</u>	<u>(494,210)</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 accrued the employee remuneration of \$84,428 and \$115,231, and directors' remuneration of \$5,572 and \$7,605 for the three-month periods ended March 31, 2017 and 2016, respectively. 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 can be available on the Market Observation Post System.

(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 March 31, 2017, December 31 and March 31, 2016, 72%, 60% and 77% of the Group's accounts receivable were all concentrated on 5, 4 and 7 specific customers, respectively. Accordingly, concentrations of credit risk exist.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
As of March 31, 2017						
Non-derivative financial liabilities						
Short-term loans	\$ 49,283,478	49,287,707	49,287,707	-	-	-
Notes and accounts payable (including related parties)	102,805,902	102,805,902	102,805,902	-	-	-
Other payables (including related parties)	17,025,334	17,025,334	17,025,334	-	-	-
Long-term loans (including current portion)	<u>11,302,447</u>	<u>11,322,392</u>	<u>151,292</u>	<u>11,171,100</u>	-	-
Subtotal	<u>180,417,161</u>	<u>180,441,335</u>	<u>169,270,235</u>	<u>11,171,100</u>	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	\$ 129,449	9,776,297	9,776,297	-	-	-
Inflow	-	(9,646,848)	(9,646,848)	-	-	-
Carrying amount	<u>129,449</u>	<u>129,449</u>	<u>129,449</u>	-	-	-
Foreign currency forward contracts:						
Outflow	<u>54,434</u>	<u>54,434</u>	<u>54,434</u>	-	-	-
Carrying amount	<u>54,434</u>	<u>54,434</u>	<u>54,434</u>	-	-	-
Subtotal	<u>183,883</u>	<u>183,883</u>	<u>183,883</u>	-	-	-
Total	<u>\$ 180,601,044</u>	<u>180,625,218</u>	<u>169,454,118</u>	<u>11,171,100</u>	-	-
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)	<u>13,008,880</u>	<u>13,434,672</u>	<u>1,442,690</u>	<u>11,991,982</u>	-	-
Subtotal	<u>197,582,155</u>	<u>198,071,872</u>	<u>186,079,890</u>	<u>11,991,982</u>	-	-
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	<u>19,071</u>	<u>19,071</u>	<u>19,071</u>	-	-	-
Foreign currency forward contracts:						
Outflow	6,059	489,680	489,680	-	-	-
Inflow	-	(483,621)	(483,621)	-	-	-
Carrying amount	<u>6,059</u>	<u>6,059</u>	<u>6,059</u>	-	-	-
Subtotal	<u>25,130</u>	<u>25,130</u>	<u>25,130</u>	-	-	-
Total	<u>\$ 197,607,285</u>	<u>198,097,002</u>	<u>186,105,020</u>	<u>11,991,982</u>	-	-

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
As of March 31, 2016						
Non-derivative financial liabilities						
Short-term loans	\$ 62,748,162	62,813,356	62,813,356	-	-	-
Notes and accounts payable (including related parties)	79,159,092	79,159,092	79,159,092	-	-	-
Other payables (including related parties)	9,422,420	9,422,420	9,422,420	-	-	-
Long-term loans (including current portion)	14,071,246	14,461,059	1,964,692	63,289	12,433,078	-
Subtotal	<u>165,400,920</u>	<u>165,855,927</u>	<u>153,359,560</u>	<u>63,289</u>	<u>12,433,078</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	1,732,235	78,442,164	78,442,164	-	-	-
Inflow	-	(76,709,929)	(76,709,929)	-	-	-
Carrying amount	<u>1,732,235</u>	<u>1,732,235</u>	<u>1,732,235</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	54,507	54,507	54,507	-	-	-
Carrying amount	<u>54,507</u>	<u>54,507</u>	<u>54,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,786,742</u>	<u>1,786,742</u>	<u>1,786,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 167,187,662</u>	<u>167,642,669</u>	<u>155,146,302</u>	<u>63,289</u>	<u>12,433,078</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:

	March 31, 2017			December 31, 2016				
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD		
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	2,035.30	USD/BRL=	3.151	61,473	1,760.56	USD/BRL=	3.256	56,829
	117.36	USD/COP=	2,888.500	3,560	7.28	USD/COP=	2,997.230	235
	31,214.86	USD/CZK=	25.315	946,934	8,131.18	USD/CZK=	25.711	262,466
	569.31	USD/CLP=	663.600	17,271	0.93	USD/HKD=	7.755	30
	158.14	USD/INR=	64.850	4,797	73.92	USD/INR=	67.960	2,386
	6,426.29	USD/JPY=	111.850	194,948	5,497.78	USD/JPY=	117.050	177,463
	1,408.97	USD/MXN=	18.669	42,742	1,328.07	USD/MXN=	20.715	42,869
	66.39	USD/MYR=	4.426	2,014	126.31	USD/MYR=	4.488	4,077
	1,590,397.68	USD/TWD=	30.336	48,246,304	1,945,136.96	USD/TWD=	32.279	62,787,076
	59,192.50	USD/CNY=	6.887	1,795,664	4,800.22	USD/CNY=	6.937	154,946
CNY					68,889.48	CNY/TWD=	4.654	320,577
	-		-	-	715,274.90	CNY/USD=	0.144	3,328,532
<u>Non-monetary</u>								
USD	17,786.45	USD/TWD=	30.336	539,570	11,521.95	USD/TWD=	32.279	371,917

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	March 31, 2017			December 31, 2016				
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD		
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD	1,905.04	USD/BRL=	3.151	57,791	307.80	USD/BRL=	3.256	9,935
	11.08	USD/COP=	2,888.500	336	21,438.00	USD/CZK=	25.711	691,997
	11,618.82	USD/CZK=	25.315	352,469	6.02	USD/HKD=	7.755	194
	74.73	USD/HKD=	7.770	2,267	7,731.85	USD/INR=	67.960	249,576
	8,715.10	USD/INR=	64.850	264,381	1.53	USD/JPY=	117.050	49
	25.73	USD/JPY=	111.850	781	6,190.21	USD/MXN=	20.715	199,814
	7,511.08	USD/MXN=	18.669	227,856	3,152.94	USD/MYR=	4.488	101,774
	3,350.00	USD/MYR=	4.426	101,626	2,860,283.49	USD/TWD=	32.279	92,327,091
	2,967,889.87	USD/TWD=	30.336	90,033,907	26,744.48	USD/CNY=	6.937	863,285
	33,631.42	USD/CNY=	6.887	1,020,243	-			
CNY	90.40	CNY/TWD=	4.405	398	175.10	CNY/TWD=	4.654	815
	2,372,415.92	CNY/USD=	0.145	10,450,255	2,812,562.03	CNY/USD=	0.144	13,088,257
March 31, 2016								
	Foreign currency	Exchange rate	TWD					
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	378.52	USD/BRL=	3.599	12,219				
	238.96	USD/COP=	3,098.400	7,714				
	14,401.36	USD/CZK=	23.865	464,905				
	25.30	USD/HKD=	7.754	817				
	102.48	USD/INR=	66.220	3,308				
	6,907.38	USD/JPY=	112.670	222,984				
	1,627.97	USD/MXN=	17.268	52,554				
	0.12	USD/MYR=	3.918	4				
	1,912,601.91	USD/TWD=	32.282	61,742,598				
	102,211.65	USD/CNY=	6.478	3,299,584				
	2,426.87	USD/SGD=	1.353	78,344				
	322.57	USD/TRY=	2.833	10,413				
<u>Non-monetary</u>								
USD	13,318.61	USD/TWD=	32.282	429,951				
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD	2,000.00	USD/BRL=	3.599	64,564				
	1,000.00	USD/COP=	3,098.400	32,282				
	6,765.87	USD/CZK=	23.865	218,416				
	23.29	USD/HKD=	7.754	752				
	12,515.50	USD/INR=	66.220	404,025				
	702.03	USD/JPY=	112.670	22,663				

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016				
Foreign currency	Exchange rate			TWD
	6,130.24	USD/MXN=	17.268	197,896
	3,600.00	USD/MYR=	3.918	116,215
	2,493,835.66	USD/TWD=	32.282	80,506,012
	16,590.49	USD/CNY=	6.478	535,568
	47,000.00	USD/SGD=	1.353	1,517,254
CNY	228,725.00	CNY/TWD=	4.984	1,139,874
	1,658,106.50	CNY/USD=	0.154	8,263,340

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, available-for-sale financial assets, 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 as of March 31, 2017 and 2016, would increase (decrease) the net profit after tax by \$2,102,256 and \$1,107,779, 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 \$39,280 and \$93,934 for the three-month periods ended March 31, 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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 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.

	March 31, 2017				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ 147,011	-	147,011	-	147,011
Available-for-sale financial assets	\$ 3,127,333	2,478,940	648,393	-	3,127,333
Financial assets carried at cost	\$ 1,507,498	-	-	-	-
Other financial assets-current	\$ 2,665,405	-	2,665,405	-	2,665,405
Loans and receivables					
Cash and cash equivalents	52,386,866	-	-	-	-
Notes and accounts receivable (including related parties)	64,039,467	-	-	-	-
Other receivable (including related parties)	6,850,754	-	-	-	-
Subtotal	\$ 123,277,087	-	-	-	-
Guarantee deposits	\$ 340,725	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ 183,883	-	183,883	-	183,883
Financial liabilities at amortized cost					
Short-term loans	49,283,478	-	-	-	-
Notes and accounts payable (including related parties)	102,805,902	-	-	-	-
Other payables (including related parties)	17,025,334	-	-	-	-
Long-term loans (including current portion)	11,302,447	-	-	-	-
Subtotal	\$ 180,417,161	-	-	-	-

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	-	-	-	-
March 31, 2016					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ 931,085	-	931,085	-	931,085
Available-for-sale financial assets	\$ 3,237,797	2,668,952	568,845	-	3,237,797
Financial assets carried at cost	\$ 1,322,114	-	-	-	-
Other financial assets-current	\$ 2,859,799	-	-	-	-
Loans and receivables					
Cash and cash equivalents	53,531,875	-	-	-	-
Notes and accounts receivable(including related parties)	60,791,230	-	-	-	-
Other receivable (including related parties)	5,651,155	-	-	-	-
Subtotal	\$ 119,974,260	-	-	-	-
Guarantee deposits	\$ 363,679	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ 1,786,742	-	1,786,742	-	1,786,742
Financial liabilities at amortized cost					
Short-term loans	62,748,162	-	-	-	-
Notes and accounts payable (including related parties)	79,159,092	-	-	-	-
Other payables (including related parties)	9,422,420	-	-	-	-
Long-term loans (including current portion)	14,071,246	-	-	-	-
Subtotal	\$ 165,400,920	-	-	-	-

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

For the three-month periods ended March 31, 2017, the available-for-sale financial assets measured at fair value with a carrying amount of \$0 were transferred from Level 1 to Level 2 because the fair value for such equity securities had become unavailable from the active market. Except for the aforementioned transfer, there were no transfers of financial assets from each level for the three-month periods ended March 31, 2017 and 2016.

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.

(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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>
Total liabilities	<u>\$ 196,424,820</u>	<u>214,787,109</u>	<u>183,245,833</u>
Total assets	<u>\$ 261,275,595</u>	<u>282,755,558</u>	<u>251,459,583</u>
Debt ratio	<u>75%</u>	<u>76%</u>	<u>73%</u>

As of March 31, 2017, the Group's capital management strategy is consistent with the prior year.

(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.

<u>Names of the related parties</u>	<u>Relationships</u>
Wistron NeWeb Corporation	Associaties
Webcom Communication (kunshan) Corporation	Associaties
Wistron Neweb (Kunshan) Corporation	Associaties
NEWEB SERVICE (KUNSHAN) CORPORATION	Associaties
WNC (kunshan) Corporation	Associaties
AOpen Inc.	Associaties
Aopen Japan Inc.	Associaties
Aopen Information Products (Zhongshan) Inc.	Associaties
Great Connection Ltd.	Associaties
GREAT CONNECTION CORPORATION	Associaties
Wistron Information Technology and Services Corporation	Associaties
Wistron Information Technology and Services (Beijing) Inc.	Associaties
Wuhan Wistron Virgin Technology & Service INC.	Associaties
Wistron Information Technology and Services Inc.	Associaties
HSIEH-YUH TECHNOLOGY CO., LTD.	Associaties
HSIEH-YUH ELECTRONICS TECHNOLOGY (ZHONG SHAN) CO., LTD.	Associaties
WIS PRECISION (TAIZHOU) CO., LTD.	Associaties
WIS PRECISION (KUNSHAN) CO., LTD.	Associaties
T-CONN PRECISION CORPORATION	Associaties

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Names of the related parties</u>	<u>Relationships</u>
T-CONN PRECISION(Zhongshan) CORPORATION	Associates
HIGH-TEK ENTERPRISE (KUNSHAN) CO.,LTD	Associates
HIGH-TEK HARNESS ENTERPRISE(CHONGQING) CO.,LTD.	Associates
Formosa Prosonic Industries Berhad	Associates
Maya International Company, Ltd.	Associates
WIEDU SALES AND MARKETING SDN. BHD.	Associates
Xserve (BVI) Corp.	Associates
Fullerton Ltd.	Associates
LIAN-YI PRECISION (ZHONGSHAN) INC.	Associates
Join-Link International Technology Co., Ltd.	Associates
ICA Inc.	Associates
WIBASE INDUSTRIAL SOLUTIONS INC.	Associates
WiseOps Co., Limited.	Associates (Note)
FP Group Limited	Associates
FP Group (Dongguan) Limited	Associates
CHANGING INFORMATION TECHNOLOGY INC.	Associates
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 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:

	<u>Sales</u>		<u>Receivables from related parties</u>		
	<u>January to March, 2017</u>	<u>January to March, 2016</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Associates	\$ <u><u>11,763</u></u>	<u><u>803,634</u></u>	<u><u>11,690</u></u>	<u><u>5,769</u></u>	<u><u>288,373</u></u>

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.

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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		
	January to March, 2017	January to March, 2016	March 31, 2017	December 31, 2016	March 31, 2016
Associates	<u>\$ 506,670</u>	<u>1,377,750</u>	<u>861,454</u>	<u>1,186,708</u>	<u>1,391,102</u>

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

(iii) Other income and others

	Amount		Other receivables from related parties		
	January to March, 2017	January to March, 2016	March 31, 2017	December 31, 2016	March 31, 2016
Associates:					
Rental income	\$ 2,127	1,826	644	355	9
Property transactions	-	-	-	137	-
	<u>\$ 2,127</u>	<u>1,826</u>	<u>644</u>	<u>492</u>	<u>9</u>

(iv) Operating expense and others

	Amount		Other payables to related parties		
	January to March, 2017	January to March, 2016	March 31, 2017	December 31, 2016	March 31, 2016
Associates:					
Property transactions	\$ -	2,910	-	31,069	2,870
Other related parties:					
Contribution	1,350	1,350	-	-	-
	<u>\$ 1,350</u>	<u>4,260</u>	<u>-</u>	<u>31,069</u>	<u>2,870</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		
	March 31, 2017	December 31, 2016	March 31, 2016
Associates	<u>\$ 4,305</u>	<u>4,186</u>	<u>12,871</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(vi) Advances from related parties

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

	Other payables to related parties		
	March 31, 2017	December 31, 2016	March 31, 2016
Associates	\$ <u>29,359</u>	<u>12,185</u>	<u>21,416</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Receivables from related parties:			
Notes and accounts receivable	\$ <u>11,690</u>	<u>5,769</u>	<u>288,373</u>
Other receivable-related parties:			
Rental receivable	\$ 644	355	9
Receivable from sale of property, plant and equipment	-	137	-
Other receivables	<u>4,305</u>	<u>4,186</u>	<u>12,871</u>
	<u>\$ 4,949</u>	<u>4,678</u>	<u>12,880</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Payables to related parties:			
Notes and accounts payable	\$ <u>861,454</u>	<u>1,186,708</u>	<u>1,391,102</u>
Other payables-related parties:			
Payable to purchase of property, plant and equipment	\$ -	31,069	2,870
Other payables	<u>29,359</u>	<u>12,185</u>	<u>21,416</u>
	<u>\$ 29,359</u>	<u>43,254</u>	<u>24,286</u>

(d) Transactions with key management personnel

Key management personnel compensation:

	January to March, 2017	January to March, 2016
Short-term employee benefits	\$ 13,647	14,583
Post-employment benefits	<u>280</u>	<u>301</u>
	<u>\$ 13,927</u>	<u>14,884</u>

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Pledged assets:

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Property, plant and equipment-lands and buildings	Bank loan	\$ 327,327	333,080	346,652
Other non-current assets-restricted bank deposit	Stand by L/C	9,391	9,434	9,562
Other non-current assets-restricted bank deposit	Foreign exchange guarantee	308,343	325,745	-
Other non-current assets-restricted bank deposit	Custom guarantee	7,067	6,456	6,456
Other non-current assets-restricted bank deposit	Performance guarantee	-	-	10,268
Other non-current assets-restricted bank deposit	Litigation guarantee	1,118	980	567
		<u>\$ 653,246</u>	<u>675,695</u>	<u>373,505</u>

(9) Commitments and contingencies:

As of March 31, 2017 and 2016, the unused letters of credit were as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Unused letters of credit	<u>\$ 142,390</u>	<u>90,566</u>	<u>73,299</u>

(10) Losses Due to Major Disasters: None.**(11) Subsequent Events: None.****(12) Other:**

(a) Total personnel, depreciation and amortization expenses categorized by function for the three-month periods ended March 31, 2017 and 2016 were as follows:

	<u>January to March, 2017</u>			<u>January to March, 2016</u>		
	<u>Cost of sales</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Cost of sales</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses						
Salaries	3,596,690	2,473,000	6,069,690	3,012,356	2,432,222	5,444,578
Labor and health insurance	401,379	241,147	642,526	404,012	242,997	647,009
Pension	16,913	94,560	111,473	17,725	95,211	112,936
Others	782,350	149,864	932,214	160,059	134,265	294,324
Depreciation	1,494,425	435,976	1,930,401	1,428,372	536,323	1,964,695
Amortization	2,520	82,448	84,968	2,364	109,690	112,054

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WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Operation seasonal factors

The operation of the Group is neither seasonal nor cyclical.

(13) Segment information:

January to March, 2017				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 148,494,691	19,913,421	-	168,408,112
Segment revenues	<u>1,079,984</u>	<u>276,252</u>	<u>(1,356,236)</u>	<u>-</u>
Total revenues	<u>\$ 149,574,675</u>	<u>20,189,673</u>	<u>(1,356,236)</u>	<u>168,408,112</u>
Segment profit	<u>\$ 427,192</u>	<u>63,967</u>	<u>285,734</u>	<u>776,893</u>
January to March, 2016				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 115,478,503	19,217,119	-	134,695,622
Segment revenues	<u>1,585,316</u>	<u>439,233</u>	<u>(2,024,549)</u>	<u>-</u>
Total revenues	<u>\$ 117,063,819</u>	<u>19,656,352</u>	<u>(2,024,549)</u>	<u>134,695,622</u>
Segment profit	<u>\$ 806,590</u>	<u>721,681</u>	<u>(925,379)</u>	<u>602,892</u>
March 31, 2017				
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 48,486,909	15,540,868	-	64,027,777
Inventories	<u>64,966,225</u>	<u>8,536,550</u>	<u>-</u>	<u>73,502,775</u>
Segment identifiable assets	<u>\$ 113,453,134</u>	<u>24,077,418</u>	<u>-</u>	<u>137,530,552</u>
General assets				<u>123,745,043</u>
Total assets				<u>\$ 261,275,595</u>
March 31, 2016				
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 45,391,334	15,111,523	-	60,502,857
Inventories	<u>53,313,991</u>	<u>10,595,626</u>	<u>-</u>	<u>63,909,617</u>
Segment identifiable assets	<u>98,705,325</u>	<u>25,707,149</u>	<u>-</u>	<u>124,412,474</u>
General assets				<u>127,047,109</u>
Total assets				<u>\$ 251,459,583</u>

(Continued)