

**WISTRON CORPORATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

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

Address: No. 5, Xin'an Rd., East Dist., Hsinchu City 30076, Taiwan (R.O.C.)
Taipei office: 21F, No.88, Sec. 1, Hsintai 5th Rd., Hsichih New Taipei City 22181
Taiwan (R.O.C.)
Telephone: (02)6616-9999

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Interim Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~13
(4) Summary of significant accounting policies	13~17
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	17
(6) Explanation of significant accounts	17~44
(7) Related-party transactions	45~48
(8) Pledged assets	48~49
(9) Commitments and contingencies	49
(10) Losses Due to Major Disasters	49
(11) Subsequent Events	49
(12) Other	49
(13) Segment information	50~51



安侯建業聯合會計師事務所

KPMG

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

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

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 June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
August 11, 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 June 30, 2017 and 2016

WISTRON CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31, and June 30, 2016

(expressed in thousands of New Taiwan dollars)

Assets		June 30, 2017		December 31, 2016		June 30, 2016		Liabilities and Equity		June 30, 2017		December 31, 2016		June 30, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 50,122,013	19	57,561,050	21	53,259,595	21	2100	Short-term loans (notes 6(j) and 8)	\$ 51,345,571	19	44,762,259	16	64,173,112	24
1110	Financial assets at fair value through profit or loss-current (note 6(b))	242,796	-	258,924	-	563,629	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	17,148	-	25,130	-	1,001,580	-
1125	Available-for-sale financial assets-current (note 6(b))	939,783	-	756,632	-	784,099	-	2170	Notes and accounts payable	112,000,330	41	123,035,225	44	89,426,094	34
1170	Notes and accounts receivable, net (note 6(c))	82,886,578	30	89,727,482	32	74,241,610	28	2180	Accounts payable-related parties (note 7)	845,104	-	1,186,708	-	1,337,230	-
1180	Accounts receivable-related parties (notes 6(c) and 7)	8,406	-	5,769	-	179,696	-	2220	Other payables-related parties (note 7)	4,655	-	43,254	-	17,831	-
1210	Other receivables-related parties (notes 6(c) and 7)	3,140	-	4,678	-	14,813	-	2250	Provisions (note 6(k))	1,907,787	1	2,140,679	1	1,738,219	1
1220	Current tax assets	1,250,053	-	1,163,657	-	1,285,459	-	2322	Current portion of long-term loans (notes 6(j) and 8)	150,000	-	1,441,160	-	1,930,434	1
130X	Inventories (note 6(d))	71,200,032	26	65,216,279	23	62,658,941	24	2399	Other current liabilities (note 6(k))	28,226,516	10	24,818,792	9	21,543,562	8
1476	Other financial assets-current	539,678	-	255,943	-	4,752,477	2		Total current liabilities	194,497,111	71	197,453,207	70	181,168,062	68
1479	Other current assets (notes 6(c)(i))	12,006,699	5	10,706,317	4	10,860,443	4	2540	Long-term loans (notes 6(j) and 8)	11,120,423	4	11,567,720	4	12,140,520	4
	Total current assets	219,199,178	80	225,656,731	80	208,600,762	79	2570	Deferred tax liabilities	4,051,638	1	3,746,258	1	4,822,173	2
Non-current assets:								2600	Other non-current liabilities	1,755,895	1	2,019,924	1	2,009,963	1
1523	Available-for-sale financial assets-non-current (note 6(b))	2,628,486	1	2,802,720	1	2,911,056	1		Total non-current liabilities	16,927,956	6	17,333,902	6	18,972,656	7
1543	Financial assets carried at cost-non-current (note 6(b))	1,631,130	1	1,539,065	1	1,260,831	-		Total liabilities	211,425,067	77	214,787,109	76	200,140,718	75
1550	Equity-accounted investees (notes 6(e)(f))	5,707,172	2	5,928,289	2	6,128,737	2	Equity attributable to owners of parent (notes 6(n)(o)(p)):							
1600	Property, plant and equipment (notes 6(g), 7 and 8)	36,231,206	13	36,448,176	13	36,313,646	14	3110	Capital stock	26,738,065	10	26,503,165	9	25,554,824	10
1780	Intangible assets (note 6(h))	1,144,938	-	1,247,465	-	1,607,695	1	3150	Stock dividend to be distributed	760,542	-	-	-	726,336	-
1840	Deferred tax assets	5,914,312	2	4,991,405	2	5,675,289	2		Total stock	27,498,607	10	26,503,165	9	26,281,160	10
1990	Other non-current assets (notes 6(i) and 8)	2,911,860	1	4,141,707	1	3,177,681	1	3200	Capital surplus	21,823,439	8	21,353,585	8	21,095,740	8
	Total non-current assets	56,169,104	20	57,098,827	20	57,074,935	21	3300	Retained earnings	18,905,256	7	21,344,172	8	19,530,020	8
								3400	Other equity interest	(2,765,836)	(1)	636,406	-	1,303,127	-
								3500	Treasury shares	(2,378,264)	(1)	(2,592,278)	(1)	(2,958,453)	(1)
									Total equity attributable to owners of parent:	63,083,202	23	67,245,050	24	65,251,594	25
								36XX	Non-controlling interests	860,013	-	723,399	-	283,385	-
									Total equity	63,943,215	23	67,968,449	24	65,534,979	25
									Total liabilities and equity	\$ 275,368,282	100	282,755,558	100	265,675,697	100
	Total assets	\$ 275,368,282	100	282,755,558	100	265,675,697	100								

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
WISTRON CORPORATION AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three-month periods and the six-month periods ended June 30, 2017 and 2016
(expressed in thousands of New Taiwan dollars , except for earnings per common share)

	<u>For the three-month periods ended June 30</u>				<u>For the six-month periods ended June 30</u>				
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
4000	Net revenues (notes 6(k)(r) and 7)								
	\$ 193,838,184	100	146,627,137	100	362,246,296	100	281,322,759	100	
5000	Cost of sales (notes 6(d)(k)(m)(s), 7 and 12)								
	<u>186,254,169</u>	<u>96</u>	<u>139,327,558</u>	<u>95</u>	<u>348,298,473</u>	<u>96</u>	<u>266,357,555</u>	<u>95</u>	
5900	Gross profit								
	<u>7,584,015</u>	<u>4</u>	<u>7,299,579</u>	<u>5</u>	<u>13,947,823</u>	<u>4</u>	<u>14,965,204</u>	<u>5</u>	
	Operating expenses (notes 6(m)(s), 7 and 12):								
6100	Selling	1,909,681	1	2,150,483	2	3,807,280	1	4,293,709	2
6200	Administrative	675,638	-	765,272	1	1,293,509	-	1,503,522	-
6300	Research and development	<u>3,564,984</u>	<u>2</u>	<u>3,436,366</u>	<u>2</u>	<u>6,922,163</u>	<u>2</u>	<u>6,692,244</u>	<u>2</u>
	Total operating expenses	<u>6,150,303</u>	<u>3</u>	<u>6,352,121</u>	<u>5</u>	<u>12,022,952</u>	<u>3</u>	<u>12,489,475</u>	<u>4</u>
	Operating income	<u>1,433,712</u>	<u>1</u>	<u>947,458</u>	<u>-</u>	<u>1,924,871</u>	<u>1</u>	<u>2,475,729</u>	<u>1</u>
	Non-operating income and expenses:								
7010	Other income (notes 6(r) and 7)	260,666	-	213,416	-	557,056	-	454,064	-
7020	Other gains and losses (note 6(r))	55,667	-	154,800	-	492,344	-	(613,792)	-
7050	Finance costs (note 6(r))	(563,820)	-	(411,998)	-	(1,072,855)	-	(906,208)	-
7060	Recognized share of associates and joint ventures accounted for equity method (note 6(e))	<u>79,188</u>	<u>-</u>	<u>9,969</u>	<u>-</u>	<u>140,890</u>	<u>-</u>	<u>106,744</u>	<u>-</u>
	Total non-operating income and expenses	<u>(168,299)</u>	<u>-</u>	<u>(33,813)</u>	<u>-</u>	<u>117,435</u>	<u>-</u>	<u>(959,192)</u>	<u>-</u>
7900	Profit before tax	1,265,413	1	913,645	-	2,042,306	1	1,516,537	1
7950	Less: income tax expense (note 6(n))	<u>313,445</u>	<u>-</u>	<u>288,312</u>	<u>-</u>	<u>507,668</u>	<u>-</u>	<u>493,775</u>	<u>-</u>
8200	Net profit	<u>951,968</u>	<u>1</u>	<u>625,333</u>	<u>-</u>	<u>1,534,638</u>	<u>1</u>	<u>1,022,762</u>	<u>1</u>
	Other comprehensive income (notes 6(e)(n)(o)):								
8360	Components of other comprehensive income that will be reclassified to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	454,578	-	(158,505)	-	(3,184,272)	(1)	(1,505,082)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	(62,546)	-	86,362	-	(258,948)	-	(742)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for equity method	48,102	-	(22,060)	-	(30,126)	-	(40,234)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(4,199)</u>	<u>-</u>	<u>(12,077)</u>	<u>-</u>	<u>(7,288)</u>	<u>-</u>	<u>(12,514)</u>	<u>-</u>
	Other comprehensive income, net of tax	<u>444,333</u>	<u>-</u>	<u>(82,126)</u>	<u>-</u>	<u>(3,466,058)</u>	<u>(1)</u>	<u>(1,533,544)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 1,396,301</u>	<u>1</u>	<u>543,207</u>	<u>-</u>	<u>(1,931,420)</u>	<u>-</u>	<u>(510,782)</u>	<u>-</u>
	Net profit attributable to:								
8610	Owners of parent	\$ 819,033	1	616,197	-	1,363,987	1	999,227	1
8620	Non-controlling interests	<u>132,935</u>	<u>-</u>	<u>9,136</u>	<u>-</u>	<u>170,651</u>	<u>-</u>	<u>23,535</u>	<u>-</u>
		<u>\$ 951,968</u>	<u>1</u>	<u>625,333</u>	<u>-</u>	<u>1,534,638</u>	<u>1</u>	<u>1,022,762</u>	<u>1</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 1,263,204	1	534,187	-	(2,100,154)	-	(533,182)	-
8720	Non-controlling interests	<u>133,097</u>	<u>-</u>	<u>9,020</u>	<u>-</u>	<u>168,734</u>	<u>-</u>	<u>22,400</u>	<u>-</u>
	Total comprehensive income	<u>\$ 1,396,301</u>	<u>1</u>	<u>543,207</u>	<u>-</u>	<u>(1,931,420)</u>	<u>-</u>	<u>(510,782)</u>	<u>-</u>
	Earnings per share (in dollars), after tax (note 6(q))								
9750	Basic earnings per share	<u>\$ 0.31</u>		<u>0.24</u>		<u>0.52</u>		<u>0.39</u>	
9850	Diluted earnings per share	<u>\$ 0.31</u>		<u>0.24</u>		<u>0.52</u>		<u>0.39</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 six-months periods ended June 30, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent															
	Total stock		Retained earnings					Other equity interest							Non-controlling interests	Total equity
	Capital stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings subtotal	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on available-for-sale financial assets	Other unearned compensation for restricted employee share of stock	Subtotal	Treasury shares	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	-	-	-	-	-	999,227	999,227	-	-	-	-	-	999,227	23,535	1,022,762	
Other comprehensive income	-	-	-	-	-	-	-	(1,571,235)	38,826	-	(1,532,409)	-	(1,532,409)	(1,135)	(1,533,544)	
Total comprehensive income	-	-	-	-	-	999,227	999,227	(1,571,235)	38,826	-	(1,532,409)	-	(533,182)	22,400	(510,782)	
Appropriation and distribution of retained earnings:																
Legal reserve	-	-	-	133,409	-	(133,409)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(2,905,344)	(2,905,344)	-	-	-	-	-	(2,905,344)	-	(2,905,344)	
Stock dividends	-	726,336	-	-	-	(726,336)	(726,336)	-	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	(1,394,277)	1,394,277	-	-	-	-	-	-	-	-	-	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	130,433	-	-	96	96	-	-	-	-	-	130,529	-	130,529	
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(401,438)	(401,438)	-	(401,438)	
Treasury stock transferred to employees	-	-	(492)	-	-	-	-	-	-	-	-	164,168	163,676	-	163,676	
Changes in ownership interests in subsidiaries	-	-	(3,443)	-	-	-	-	-	-	-	-	-	(3,443)	-	(3,443)	
Share-based payment transactions	-	-	261,914	-	-	-	-	-	-	(176,624)	(176,624)	-	85,290	-	85,290	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(240,722)	(240,722)	
Balance at June 30, 2016	\$ 25,554,824	726,336	21,095,740	7,295,015	-	12,235,005	19,530,020	1,871,510	(369,370)	(199,013)	1,303,127	(2,958,453)	65,251,594	283,385	65,534,979	
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	-	-	-	-	-	1,363,987	1,363,987	-	-	-	-	-	1,363,987	170,651	1,534,638	
Other comprehensive income	-	-	-	-	-	-	-	(3,233,206)	(230,935)	-	(3,464,141)	-	(3,464,141)	(1,917)	(3,466,058)	
Total comprehensive income	-	-	-	-	-	1,363,987	1,363,987	(3,233,206)	(230,935)	-	(3,464,141)	-	(2,100,154)	168,734	(1,931,420)	
Appropriation and distribution of retained earnings:																
Legal reserve	-	-	-	296,110	-	(296,110)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(3,042,169)	(3,042,169)	-	-	-	-	-	(3,042,169)	-	(3,042,169)	
Stock dividends	-	760,542	-	-	-	(760,542)	(760,542)	-	-	-	-	-	-	-	-	
New share issued through employee's compensation	234,900	-	380,540	-	-	-	-	-	-	-	-	-	615,440	-	615,440	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	4,083	-	-	-	-	-	-	-	-	-	4,083	-	4,083	
Treasury stock transferred to employees	-	-	(8,337)	-	-	-	-	-	-	-	-	214,014	205,677	-	205,677	
Changes in ownership interests in subsidiaries	-	-	-	-	-	(192)	(192)	-	-	-	-	-	(192)	-	(192)	
Share-based payment transactions	-	-	93,568	-	-	-	-	-	-	61,899	61,899	-	155,467	-	155,467	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,120)	(32,120)	
Balance at June 30, 2017	\$ 26,738,065	760,542	21,823,439	7,591,125	-	11,314,131	18,905,256	(2,031,779)	(682,235)	(51,822)	(2,765,836)	(2,378,264)	63,083,202	860,013	63,943,215	

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 six-month periods ended June 30, 2017 and 2016****(expressed in thousands of New Taiwan dollars)**

	For the six-month periods ended June 30	
	2017	2016
Cash flows from operating activities:		
Profit before tax	\$ 2,042,306	1,516,537
Adjustments to reconcile net income to net cash generated from (used in) operating activities:		
Depreciation expense	3,830,386	3,863,817
Amortization expense	164,994	222,409
Bad debt expense	465	993
Net loss on financial assets or liabilities at fair value through profit or loss	8,146	1,714,052
Interest expense	1,072,855	906,208
Interest income	(502,628)	(377,330)
Dividend income	(17,143)	(15,561)
Compensation cost arising from shares-based payment	156,963	87,888
Recognized share of associates and joint ventures accounted for equity method	(140,890)	(106,744)
Loss on disposal of property, plant and equipment	28,698	152,176
Property, plant and equipment reclassified as expenses	4,934	296
Other assets reclassified as expense	35,387	29,047
Gain on disposal of intangible assets	-	(72,753)
Loss (gain) on disposal of investments	(20,552)	15,900
Other investments loss (gain)	(15)	36,821
Impairment loss on assets	53,826	93,783
	<u>4,675,426</u>	<u>6,551,002</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes and accounts receivable	4,831,535	15,713,096
Increase in accounts receivable-related parties	(10,152)	(2,345,963)
Decrease (increase) in other receivable-related parties	5,688	(343)
Decrease (increase) in inventories	(8,952,772)	3,493,654
Increase in other current assets	(1,104,219)	(544,412)
Total changes in operating assets	<u>(5,229,920)</u>	<u>16,316,032</u>
Changes in operating liabilities:		
Decrease in notes and accounts payable	(6,961,386)	(8,126,980)
Increase (decrease) in accounts payable-related parties	(1,064,265)	1,876,589
Increase (decrease) in other payable-related parties	(148,541)	118,789
Decrease in provisions	(232,802)	(348,396)
Increase in other current liabilities	1,253,161	1,501,133
Decrease in other non-current liabilities	(21,435)	(324,407)
Total changes in operating liabilities	<u>(7,175,268)</u>	<u>(5,303,272)</u>
Net changes in operating assets and liabilities	<u>(12,405,188)</u>	<u>11,012,760</u>
Total changes in operating assets and liabilities	<u>(7,729,762)</u>	<u>17,563,762</u>
Cash generated from (used in) operations	(5,687,456)	19,080,299
Interest received	493,877	394,865
Dividends received	46,026	59,131
Interest paid	(1,090,068)	(977,733)
Income taxes paid	(1,159,306)	(1,003,761)
Net cash generated from (used in) operating activities	<u>(7,396,927)</u>	<u>17,552,801</u>
Cash flows used in investing activities:		
Decrease in other receivable-related parties	-	1,245
Increase in available-for-sale financial assets	(5,499,310)	(2,798,980)
Proceeds from disposal of available-for-sale financial assets	5,234,397	1,981,851
Increase in financial assets at cost	(165,553)	(45,990)
Return of capital of financial assets at cost	5,489	36,912
Increase in equity-accounted investees	(88,897)	(113,068)
Proceeds from disposal of equity-accounted investees	18	98,641
Increase in property, plant and equipment	(3,567,989)	(2,977,374)
Proceeds from disposal of property, plant and equipment	10,149	314,702
Increase in intangible assets	(65,030)	(354,350)
Proceeds from disposal of intangible assets	-	309,576
Decrease in refundable deposits	52,446	11,561
Decrease (increase) in other financial assets—current	15,827	(4,851,711)
Increase in other non-current assets	(1,083,987)	(1,080,447)
Cash out flow through the change in consolidated entities	-	(128,497)
Net cash flows used in investing activities	<u>(5,152,440)</u>	<u>(9,595,929)</u>
Cash flows generated from (used in) financing activities:		
Increase of short-term loans	252,042,679	166,610,220
Repayments of short-term loans	(243,921,616)	(178,527,906)
Increase in long-term loans	4,305,572	3,029,484
Repayments of long-term loans	(6,044,028)	(3,185,562)
Decrease in deposits received	(237,165)	(23,347)
Purchase of treasury stock	-	(401,438)
Treasury stock transferred to employees	205,677	163,676
Changes in non-controlling interests	(469)	(3,716)
Net cash flows generated from (used in) financing activities	<u>6,350,650</u>	<u>(12,338,589)</u>
Effect of exchange rate changes	<u>(1,240,320)</u>	<u>(918,442)</u>
Net decrease in cash and cash equivalents	<u>(7,439,037)</u>	<u>(5,300,159)</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>\$ 50,122,013</u>	<u>53,259,595</u>

See accompanying notes to financial statements.

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

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2017 and 2016

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated interim financial statements for the six-month periods ended June 30, 2017 and 2016 were authorized for issuance by the Board of Directors on August 11, 2017.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(i) IFRS 9 “Financial Instruments”

1) Classification and measurement of financial assets

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Based on its preliminary assessment, the Group believe that the new classification requirements, if applied at June 30, 2017, would not have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. As of June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$3,568,269 and financial assets measured at cost of \$1,631,130. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

2) Transition

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

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

(ii) IFRS 15, Revenue from Contracts with Customers

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
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 consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(i) List of subsidiaries in the consolidated financial statements

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

Investor	Name of subsidiary	Percentage ownership		
		June 30, 2017	December 31, 2016	June 30, 2016
the Company	International Standard Labs (“ISL”, Taiwan)	100.00	100.00	100.00
the Company	Wistron Mexico, S.A. de C.V. (“WMX”, Mexico)	100.00	100.00	100.00
the Company	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	77.27
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	77.27
WYHQ	Wiwynn International Corporation (“WYUDE”, U.S.A.)	60.48	60.56	77.27
WYHQ	Wiwynn Korea Ltd. (“WYKR”, South Korea)	60.48	60.56	77.27
WYHK	Wiwynn Technology Service Kunshan, Ltd. (“WYKS”, China)	60.48	60.56	77.27
WMH	Wistron Medical Technology Corporation (“WMT”, Taiwan)	100.00	100.00	-
WMT	Wistron Medical Tech (Chongqing) Co., Ltd. (“WMCQ”, China)	100.00	100.00	-

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investor	Name of subsidiary	Percentage ownership		
		June 30, 2017	December 31, 2016	June 30, 2016
the Company	Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	100.00	100.00	100.00
the Company	All Holding Corporation ("AIH", British Virgin Islands)	100.00	100.00	100.00
the Company	SMS InfoComm Corporation ("WTX", U.S.A.)	100.00	100.00	100.00
the Company	WiAdvance Technology Corporation ("AGI", Taiwan)	99.95	99.95	99.95
the Company	Anwith Technology Corporation ("WCHQ", Taiwan)	100.00	100.00	100.00
the Company	SMS InfoComm (Singapore) Pte. Ltd. ("WSSG", Singapore)	100.00	100.00	100.00
the Company	Service Management Solutions Colombia S.A.S. ("WSCO", Colombia)	100.00	100.00	100.00
the Company	Service Management Solutions Mexico SA de C.V. ("WSMX", Mexico)	100.00	100.00	100.00
the Company	Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	100.00	100.00	100.00
the Company	ANWITH SERVICE CO., LTD. ("WSTH", Thailand)	100.00	100.00	-
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		
		June 30, 2017	December 31, 2016	June 30, 2016
AIHH	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	100.00	100.00	100.00
WEDH	WIEDU SDN. BHD. ("WEMY", Malaysia)	100.00	100.00	100.00

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investor	Name of subsidiary	Percentage ownership		
		June 30, 2017	December 31, 2016	June 30, 2016
the Company	Wistron GreenTech (Texas) Corporation ("WGTX", U.S.A.)	100.00	100.00	100.00
WGHK	Wistron Advanced Materials (Kunshan) Co., Ltd. ("WGKS", China)	100.00	100.00	100.00

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

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

6) Investment and holding companies:

Investor	Name of subsidiary	Percentage ownership		
		June 30, 2017	December 31, 2016	June 30, 2016
the Company	Wise Cap Limited Company ("WCL", Taiwan)	100.00	100.00	100.00
the Company	Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	100.00	100.00	100.00
the Company	Wistron LLC ("WLLC", U.S.A.)	100.00	100.00	100.00
the Company	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	77.27
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 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.

(Continued)

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

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 25,783	39,939	36,579
Demand and check deposits	23,676,559	45,338,202	36,299,454
Time deposits	<u>28,475,732</u>	<u>13,485,878</u>	<u>17,621,069</u>
Cash and cash equivalents	52,178,074	58,864,019	53,957,102
Bank overdrafts used for cash management purposes	<u>(2,056,061)</u>	<u>(1,302,969)</u>	<u>(697,507)</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 50,122,013</u>	<u>57,561,050</u>	<u>53,259,595</u>

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Financial assets

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

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

	June 30, 2017	December 31, 2016	June 30, 2016
Foreign currency swap contracts	\$ 240,748	254,515	558,938
Foreign currency forward contracts	<u>2,048</u>	<u>4,409</u>	<u>4,691</u>
	<u>\$ 242,796</u>	<u>258,924</u>	<u>563,629</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Foreign currency swap contracts	\$ 14,188	19,071	980,007
Foreign currency forward contracts	<u>2,960</u>	<u>6,059</u>	<u>21,573</u>
	<u>\$ 17,148</u>	<u>25,130</u>	<u>1,001,580</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 June 30, 2017, December 31 and June 30, 2016, derivative financial instruments not qualified for hedge accounting were as follows:

1) Foreign currency swap contracts:

June 30, 2017		December 31, 2016	
Amount (in thousands)	Currency	Amount (in thousands)	Currency
<u>USD 1,011,000</u>	TWD Put / USD Call	<u>USD 1,365,000</u>	TWD Put/USD Call
<u>USD 16,731</u>	EUR Put / USD Call		
<u>USD 82,000</u>	USD Put /TWD Call	<u>USD 27,000</u>	USD Put /TWD Call
June 30, 2016			
Amount (in thousands)	Currency		
<u>USD 20,000</u>	USD Put /TWD Call		
<u>USD 564,000</u>	USD Put /CNY Call		
<u>USD 564,000</u>	CNY Put /USD Call		
<u>USD 1,291,000</u>	TWD Put / USD Call		

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Foreign currency forward contracts:

<u>June 30, 2017</u>		<u>December 31, 2016</u>	
<u>Amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>	<u>Currency</u>
<u>USD 91,000</u>	USD Put /TWD Call	<u>USD 74,000</u>	USD Put /TWD Call
<u>USD 2,000</u>	TWD Put / USD Call	<u>USD 15,000</u>	USD Put /CNY Call
<u>June 30, 2016</u>			
<u>Amount</u> <u>(in thousands)</u>	<u>Currency</u>		
<u>USD 47,000</u>	USD Put /CNY Call		
<u>USD 95,000</u>	TWD Put / USD Call		
<u>USD 129</u>	XAU Put / USD Call		

(ii) Available-for-sale financial assets

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

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Funds	<u>\$ 939,783</u>	<u>756,632</u>	<u>784,099</u>

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

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Investment in listed securities:			
Stock listed on domestic markets	\$ 1,967,473	2,228,090	2,317,658
Stock listed on foreign markets	441	485	1,866
Convertible bonds	-	-	20,000
Investment in unlisted securities:			
Stock unlisted on domestic markets	79,446	108,578	133,019
Stock unlisted on foreign markets	<u>581,126</u>	<u>465,567</u>	<u>438,513</u>
	<u>\$ 2,628,486</u>	<u>2,802,720</u>	<u>2,911,056</u>

(Continued)

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 June, 2017</u>	<u>January to June, 2016</u>
Increasing 3%	\$ <u>75,889</u>	<u>85,086</u>
Decreasing 3%	\$ <u>(75,889)</u>	<u>(85,086)</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Stock unlisted on domestic markets	\$ 170,000	170,000	170,000
Stock unlisted on foreign markets	672,133	730,872	668,522
Others	<u>788,997</u>	<u>638,193</u>	<u>422,309</u>
	<u>\$ 1,631,130</u>	<u>1,539,065</u>	<u>1,260,831</u>

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

(c) Notes and accounts receivable and other receivables

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	\$ 64,761	2,743	469
Accounts receivable	83,643,661	90,546,481	74,872,827
Accounts receivable-related parties	8,406	5,769	179,696
Other current assets-other receivables	7,520,752	6,103,401	4,772,680
Other receivables-related parties	3,140	4,678	14,813
Less: allowance for doubtful accounts	<u>(821,844)</u>	<u>(821,742)</u>	<u>(631,686)</u>
	<u>\$ 90,418,876</u>	<u>95,841,330</u>	<u>79,208,799</u>

(Continued)

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:

	June 30, 2017	December 31, 2016	June 30, 2016
Past due 0~30 days	\$ 590,922	2,726,386	323,827
Past due 31~60 days	163,551	151,576	162,971
Past due 61~90 days	96,071	56,612	44,885
Past due 91~120 days	13,166	37,147	95,003
Past due over 120 days	<u>342,680</u>	<u>295,327</u>	<u>410,800</u>
	<u>\$ 1,206,390</u>	<u>3,267,048</u>	<u>1,037,486</u>

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

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	\$ 622,827	198,915	821,742
Impairment loss recognized	29	436	465
Written off unrecoverable amount	(5)	-	(5)
Effect of changes in foreign exchange rates	<u>(358)</u>	<u>-</u>	<u>(358)</u>
Balance at June 30, 2017	<u>\$ 622,493</u>	<u>199,351</u>	<u>821,844</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	473	520	993
Reclassification	377	(377)	-
Effect of changes in foreign exchange rates	<u>943</u>	<u>-</u>	<u>943</u>
Balance at June 30, 2016	<u>\$ 630,456</u>	<u>1,230</u>	<u>631,686</u>

(Continued)

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

Unit: USD in thousands

June 30, 2017					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 2,665,904	2,971,686	2,389,098	691,000	Without recourse	2,429,423
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
June 30, 2016					
Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
\$ 1,902,910	2,935,268	1,639,632	1,771,000	Without recourse	1,693,725

The above-mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of June 30, 2017, December 31 and June 30, 2016, the amounts among the factored accounts receivable of \$1,227,332, \$2,310,208 and \$1,746,447 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 six-month periods ended June 30, 2017 and 2016, the average annual interest rates on factored accounts receivable were 1.38%~2.26% to and 1.10%~1.78%, respectively.

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Inventories

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Raw materials	\$ 26,754,858	25,107,842	23,131,305
Work in progress	6,683,700	6,156,413	5,508,433
Finished goods	22,320,306	23,709,456	22,413,434
Inventory in transit	<u>15,441,168</u>	<u>10,242,568</u>	<u>11,605,769</u>
	<u>\$ 71,200,032</u>	<u>65,216,279</u>	<u>62,658,941</u>

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

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Loss on valuation of inventories and obsolescence and scrap loss	\$ 1,064,416	1,593,104	2,363,334	2,913,432
Unallocated manufacturing overhead	<u>202,952</u>	<u>278,633</u>	<u>440,518</u>	<u>610,315</u>
	<u>\$ 1,267,368</u>	<u>1,871,737</u>	<u>2,803,852</u>	<u>3,523,747</u>

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

(e) Equity-accounted investees

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	<u>\$ 5,707,172</u>	<u>5,928,289</u>	<u>6,128,737</u>

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

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 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	\$ 3,270,172	7,967,915	3,314,100	7,589,747	3,090,898	7,010,072
AOI	108,295	132,303	134,598	151,915	206,396	199,232
WITS	252,667	312,968	262,640	282,327	282,923	254,961
Formosa Prosonic Industries Berhad	<u>359,968</u>	<u>451,801</u>	<u>369,459</u>	<u>433,429</u>	<u>397,761</u>	<u>427,634</u>
	<u>\$ 3,991,102</u>	<u>8,864,987</u>	<u>4,080,797</u>	<u>8,457,418</u>	<u>3,977,978</u>	<u>7,891,899</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Attributable to the Group:		
Net profit	\$ 140,890	106,744
Other comprehensive income	<u>(30,126)</u>	<u>(40,234)</u>
Comprehensive income	<u>\$ 110,764</u>	<u>66,510</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Total assets	\$ 51,232,139	49,744,657	47,477,939
Total liabilities	<u>\$ 29,731,153</u>	<u>27,425,778</u>	<u>25,639,745</u>

	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Revenue	\$ 32,998,439	34,721,123
Profit	<u>\$ 760,872</u>	<u>346,301</u>

- (iv) Collateral

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

- (f) Losing control of subsidiary

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

(Continued)

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 six-month periods ended June 30, 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	130,885	218,575	2,213,694	181,132	62,121	141,503	620,079	3,567,989
Reclassification (Note)	-	1,220,153	1,182,977	295,333	387	4,890	(980,382)	1,723,358
Reclassified as expense	-	-	(7,347)	(2,369)	(7)	-	(2,304)	(12,027)
Disposals	-	(76,857)	(960,277)	(79,765)	(5,834)	(56,025)	(261,579)	(1,440,337)
Effect of changes in foreign exchange rates	(15,206)	(1,295,217)	(1,106,796)	(19,112)	(30,512)	(67,907)	(463,869)	(2,998,619)
Balance at June 30, 2017	<u>\$ 3,507,212</u>	<u>26,641,110</u>	<u>21,877,589</u>	<u>13,413,278</u>	<u>2,680,124</u>	<u>2,370,504</u>	<u>8,484,135</u>	<u>78,973,952</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	-	23,074	1,785,481	165,838	67,084	48,947	886,950	2,977,374
Reclassification (Note)	-	205,689	194,233	400,239	(38,335)	(72)	(93,762)	667,992
Reclassified as expense	-	-	-	(118)	-	(89)	(89)	(296)
Disposals	-	(5,988)	(1,367,216)	(500,114)	(201,526)	(22,039)	(168,095)	(2,264,978)
Effect of changes in foreign exchange rates	39,382	(505,439)	(471,616)	(1,273)	(15,396)	(19,013)	(193,661)	(1,167,016)
Balance at June 30, 2016	<u>\$ 3,434,774</u>	<u>26,731,330</u>	<u>19,279,871</u>	<u>15,280,366</u>	<u>2,543,916</u>	<u>2,350,950</u>	<u>8,634,493</u>	<u>78,255,700</u>
Accumulated depreciation and impairment:								
Balance at January 1, 2017	\$ -	9,388,686	10,973,861	12,230,148	2,079,961	1,917,677	5,095,079	41,685,412
Depreciation	-	812,730	1,604,738	657,489	168,054	110,903	476,472	3,830,386
Reclassification (Note)	-	-	(7,093)	-	-	-	-	(7,093)
Reversal of impairment	-	-	(14,173)	-	-	-	-	(14,173)
Disposals	-	(76,797)	(939,679)	(79,765)	(3,790)	(55,919)	(245,540)	(1,401,490)
Effect of changes in foreign exchange rates	-	(471,991)	(570,266)	(5,818)	(20,469)	(52,493)	(229,259)	(1,350,296)
Balance at June 30, 2017	<u>\$ -</u>	<u>9,652,628</u>	<u>11,047,388</u>	<u>12,802,054</u>	<u>2,223,756</u>	<u>1,920,168</u>	<u>5,096,752</u>	<u>42,742,746</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	-	834,105	1,553,891	680,684	145,963	134,906	514,268	3,863,817
Reclassification (Note)	-	-	(18,776)	-	(6,047)	-	24,925	102
Disposals	-	(5,988)	(922,500)	(500,052)	(201,449)	(15,238)	(152,873)	(1,798,100)
Effect of changes in foreign exchange rates	-	(173,420)	(225,156)	(489)	(8,311)	(15,362)	(102,219)	(524,957)
Balance at June 30, 2016	<u>\$ -</u>	<u>8,673,347</u>	<u>9,997,886</u>	<u>14,604,704</u>	<u>1,914,851</u>	<u>1,848,118</u>	<u>4,903,148</u>	<u>41,942,054</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 June 30, 2017	<u>\$ 3,507,212</u>	<u>16,988,482</u>	<u>10,830,201</u>	<u>611,224</u>	<u>456,368</u>	<u>450,336</u>	<u>3,387,383</u>	<u>36,231,206</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 June 30, 2016	<u>\$ 3,434,774</u>	<u>18,057,983</u>	<u>9,281,985</u>	<u>675,662</u>	<u>629,065</u>	<u>502,832</u>	<u>3,731,345</u>	<u>36,313,646</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 June 30, 2017, December 31 and June 30, 2016.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 June 30, 2017	\$ <u>261,266</u>	<u>561,485</u>	<u>273,633</u>	-	<u>48,554</u>	-	<u>1,144,938</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 June 30, 2016	\$ <u>579,265</u>	<u>561,485</u>	<u>405,441</u>	-	<u>61,504</u>	-	<u>1,607,695</u>

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

(i) Other current assets and non-current assets

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Other current assets:			
Other receivables	\$ 7,520,752	6,103,401	4,772,680
Prepaid royalties	455,241	419,782	608,844
Other prepayments	1,471,474	1,403,761	2,851,223
Tax refundables	1,871,083	2,005,006	1,748,990
Others	<u>688,149</u>	<u>774,367</u>	<u>878,706</u>
	<u>\$ 12,006,699</u>	<u>10,706,317</u>	<u>10,860,443</u>
Other non-current assets:			
Advance payment for equipments	\$ 588,468	1,318,657	656,046
Prepaid rent	1,760,535	1,883,513	1,784,063
Others	<u>562,857</u>	<u>939,537</u>	<u>737,572</u>
	<u>\$ 2,911,860</u>	<u>4,141,707</u>	<u>3,177,681</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(j) Bank loans

(i) Short-term loans

June 30, 2017				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.42%~3.45%	2017/7/4~2018/5/4	\$ 50,297,086
Unsecured bank loans	JPY	0.31%~0.65%	2017/7/31~2017/9/29	490,500
Unsecured bank loans	CNY	4.35%	2017/9/7	448,680
Unsecured bank loans	EUR	0.70%~0.80%	2017/7/6~2017/7/14	109,305
Total				\$ 51,345,571
Unused credit line				\$ 151,590,662

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

June 30, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	0.860%~2.26%	2016/7/1~2017/6/14	\$ 59,716,603
Unsecured bank loans	JPY	0.320%~0.82%	2016/7/21~2016/11/29	1,381,959
Unsecured bank loans	CNY	2.900%	2016/8/28	973,260
Unsecured bank loans	EUR	0.700%	2016/7/14	1,171,039
Unsecured bank loans	SGD	1.870%~1.950%	2016/7/17~2016/7/30	748,099
Unsecured bank loans	INR	9.25%	2016/11/16~2016/12/20	172,152
Unsecured bank loans	NTD	1.260%	2016/7/18	10,000
Total				\$ 64,173,112
Unused credit line				\$ 142,846,514

(ii) Long-term loans

June 30, 2017				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.58%~2.42%	2018/9/22~2019/1/26	\$ 11,120,423
Unsecured bank loans	NTD	1.15%	2017/9/26~2018/3/26	150,000
Subtotal				11,270,423
Less: current portion				(150,000)
Total				\$ 11,120,423
Unused credit line				\$ 611,238

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

June 30, 2016				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank loans	USD	1.000%~1.843%	2017/1/12~2018/10/30	\$ 13,766,250
Unsecured bank loans	NTD	1.179%	2016/9/26~2019/3/14	300,000
Secured bank loans	JPY	0.660%	2016/12/30	<u>4,704</u>
Subtotal				14,070,954
Less: current portion				<u>(1,930,434)</u>
Total				<u><u>\$ 12,140,520</u></u>
Unused credit line				<u><u>\$ 484,785</u></u>

(iii) Breach of covenant

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

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

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

(k) Provisions

(i) Provisions for warranty

	2017	2016
Balance at January 1	\$ 2,140,679	2,084,500
Provision made	859,681	603,800
Provision used	(1,091,924)	(910,573)
Effect of changes in foreign exchange rates	<u>(649)</u>	<u>(39,508)</u>
Balance at June 30	<u><u>\$ 1,907,787</u></u>	<u><u>1,738,219</u></u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	1,070,345	2,321,961
Payment	<u>(1,063,845)</u>	<u>(1,236,292)</u>
Balance at June 30	<u>\$ 4,925,011</u>	<u>4,392,785</u>

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

(l) Operating leases

(i) Lessee

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

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2016</u>
Less than one year	\$ 629,374	424,330	420,358
Between one and five years	1,226,032	933,351	1,215,323
More than five years	<u>164,550</u>	<u>46,128</u>	<u>150,614</u>
	<u>\$ 2,019,956</u>	<u>1,403,809</u>	<u>1,786,295</u>

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

For the six-month periods ended June 30, 2017 and 2016, expenses recognized in profit or loss in respect of operating leases, were \$466,148 and \$507,554, respectively.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Lessor

The Group leases out a number of office, warehouse and factory facilities under operating leases. The leases typically run for 1 year. For the six-month periods ended June 30, 2017 and 2016, rental income recognized in profit or loss, were \$37,285 and \$61,173, respectively. The future minimum income under non-cancellable lease are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Less than one year	\$ 22,262	41,457	17,470
Between one and five years	<u>-</u>	<u>-</u>	<u>2,772</u>
	<u><u>\$ 22,262</u></u>	<u><u>41,457</u></u>	<u><u>20,242</u></u>

(m) Employee benefits

(i) Defined benefit plans

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension costs in the interim consolidated financial statements were measured and disclosed according to the actuarial report for the six-month periods ended June 30, 2017 and 2016.

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

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Cost of sales	\$ 1,622	1,772	3,264	3,558
Selling expenses	1,788	2,727	3,714	5,400
Administrative expenses	1,315	1,497	2,603	2,986
Research and development expenses	<u>3,611</u>	<u>4,799</u>	<u>7,241</u>	<u>9,631</u>
	<u><u>\$ 8,336</u></u>	<u><u>10,795</u></u>	<u><u>16,822</u></u>	<u><u>21,575</u></u>

(ii) Defined contribution plans

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Cost of sales	\$ 15,393	16,244	30,664	32,183
Selling expenses	19,927	22,293	37,497	42,530
Administrative expenses	7,319	6,521	14,489	13,699
Research and development expenses	<u>63,281</u>	<u>58,965</u>	<u>126,257</u>	<u>117,767</u>
	<u><u>\$ 105,920</u></u>	<u><u>104,023</u></u>	<u><u>208,907</u></u>	<u><u>206,179</u></u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(n) Income Taxes

(i) Income tax expense

The details of income tax expense were as follows:

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Current tax expense				
Current period	\$ <u>313,445</u>	<u>288,312</u>	<u>507,668</u>	<u>493,775</u>

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

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Exchange differences on translation of foreign financial statements	\$ (37)	33	(255)	(227)
Unrealized losses on valuation of available-for-sale financial assets	<u>(4,162)</u>	<u>(12,110)</u>	<u>(7,033)</u>	<u>(12,287)</u>
	<u>\$ (4,199)</u>	<u>(12,077)</u>	<u>(7,288)</u>	<u>(12,514)</u>

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

(iv) Integrated income tax information

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Unappropriated earnings, from January 1, 1998	\$ <u>11,314,131</u>	<u>14,049,157</u>	<u>12,235,005</u>
Balance of deductible tax account	<u>\$ 4,373,936</u>	<u>3,867,067</u>	<u>3,525,726</u>
		<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Creditable ratio for earnings distribution to domestic stockholders		<u>31.99%</u>	<u>24.52%</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- 1) Appeals for administrative remedies
 - a) For 2011, the tax authorities assessed the Company for an additional income tax of \$409,169, as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2011 income tax returns. The tax authorities adjudicated to return income tax for \$6,650 in March, 2016. As of June 30, 2017, the appeal of aforementioned returns was still in progress.
 - b) For 2012, the tax authorities assessed the company for an additional income tax of \$307,178 and 10% surtax on undistributed earnings \$80,027. The income tax is as the tax authorities reduced some of the Company's amortization expenses and rejected some of the Company's investments credit. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2012 income tax returns. The tax authorities adjudicated to return income tax for \$6,892 in March, 2016. As of June 30, 2017, the appeal of aforementioned returns was still in progress.
 - c) 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. The tax authorities adjudicated to return income tax for \$6,900 in January, 2017. As of June 30, 2017, the appeal of aforementioned returns was still in progress.
 - d) For 2014, the tax authorities assessed that the Company for an additional income tax of \$509,270, after reducing some of the Company's amortization expense and disclaiming some of the Company's investment credits. However, the Company disagreed with the authorities' assessment and filed an appeal to the tax authorities for administrative remedies of its 2014 income tax returns. As of June 30, 2017, the appeal of aforementioned returns was still in progress.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(o) Capital and Other Equities

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

(i) Capital

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

(ii) Treasury Stock

- 1) The Company repurchased its own common stock as treasury shares in order to motivate and improve the operating performance of its employees in accordance with the requirements under section 28(2) of the securities and Exchange Act. As of June 30, 2017 and 2016, the treasury stock repurchased was 164,362,000 shares and 158,660,000 shares, respectively, and the stock transferred to employees was 53,555,000 shares and 10,035,000 shares, respectively. Therefore, the shares of treasury stock the Company hold as of June 30, 2017 and 2016 was 110,807,000 shares and 148,625,000 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.

(iii) Capital surplus

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

	June 30, 2017	December 31, 2016	June 30, 2016
A premium issuance of common stock in exchange for the net assets of the DMS business of AI	\$ 1,800,000	1,800,000	1,800,000
A premium issuance of common shares for cash	19,518,291	19,137,751	18,881,938
Surplus arising from equity-accounted investees	206,050	201,967	225,720
Employee stock options	65,434	65,434	65,434
Restricted employee shares of stock	209,497	115,929	98,139
Transaction of treasury stock	24,167	32,504	24,509
	<u>\$ 21,823,439</u>	<u>21,353,585</u>	<u>21,095,740</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iv) Unappropriated earnings

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

1) Legal reserve

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

2) 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

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements		Unrealized gain (loss) on valuation of available-for-sale financial assets		Other unearned compensation for restricted employee shares of stock
	Group	Associates	Group	Associates	Group
Balance at January 1, 2017	\$ 1,356,903	(155,476)	(542,394)	91,094	(113,721)
Foreign currency translation differences (net of tax)	(3,182,149)	(51,057)	-	-	-
Unrealized gain (loss) on available-for-sale financial assets (net of tax)	-	-	(251,866)	20,931	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	61,899
Balance at June 30, 2017	<u>\$ (1,825,246)</u>	<u>(206,533)</u>	<u>(794,260)</u>	<u>112,025</u>	<u>(51,822)</u>
Balance at January 1, 2016	\$ 3,417,186	25,559	(468,957)	60,761	(22,389)
Foreign currency translation differences (net of tax)	(1,503,776)	(67,459)	-	-	-
Unrealized loss on available-for-sale financial assets (net of tax)	-	-	11,601	27,225	-
Other-unearned compensation for restricted employee shares of stock (net of tax)	-	-	-	-	(176,624)
Balance at June 30, 2016	<u>\$ 1,913,410</u>	<u>(41,900)</u>	<u>(457,356)</u>	<u>87,986</u>	<u>(199,013)</u>

(p) Share-based payment transactions

There were no significant differences in share-based payment transactions for the six-month periods ended June 30, 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

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Basic earnings per share:				
Net profit belonging to common shareholders	<u>\$ 819,033</u>	<u>616,197</u>	<u>1,363,987</u>	<u>999,227</u>
Weighted average common stock outstanding (in thousands)	2,617,870	2,553,011	2,604,439	2,539,824
Basic EPS (New Taiwan Dollars)	<u>\$ 0.31</u>	<u>0.24</u>	<u>0.52</u>	<u>0.39</u>
Diluted earnings per share:				
Net profit belonging to common shareholders	<u>\$ 819,033</u>	<u>616,197</u>	<u>1,363,987</u>	<u>999,227</u>
Effect of potentially dilutive common stock (in thousands):				
Weighted average common stock outstanding (in thousands)	\$ 2,617,870	2,553,011	2,604,439	2,539,824
Effect of potentially dilutive common stock (in thousands):				
Employee compensation	9,426	9,796	19,549	20,883
Restricted employee shares of stock	19,332	32,244	19,332	32,101
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	<u>\$ 2,646,628</u>	<u>2,595,051</u>	<u>2,643,320</u>	<u>2,592,808</u>
Diluted EPS (New Taiwan Dollars)	<u>\$ 0.31</u>	<u>0.24</u>	<u>0.52</u>	<u>0.39</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(r) Revenue and non-operating income and expenses

(i) Revenue

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Computer, Communication & Consumer electronics	\$ 177,463,351	129,167,134	325,958,042	244,645,637
Others	<u>16,374,833</u>	<u>17,460,003</u>	<u>36,288,254</u>	<u>36,677,122</u>
	<u>\$ 193,838,184</u>	<u>146,627,137</u>	<u>362,246,296</u>	<u>281,322,759</u>

(ii) Other income

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Interest income	\$ 224,609	180,018	502,628	377,330
Dividend income	17,143	4,106	17,143	15,561
Rental income	<u>18,914</u>	<u>29,292</u>	<u>37,285</u>	<u>61,173</u>
	<u>\$ 260,666</u>	<u>213,416</u>	<u>557,056</u>	<u>454,064</u>

(iii) Other gain and loss

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Foreign exchange gains (losses), net	\$ (198,491)	117,396	2,033,553	(7,322)
Gain (loss) on disposal of investment, net	5,840	(17,493)	20,552	(15,900)
Loss on disposal of property plant and equipment, net	(26,517)	(137,230)	(28,698)	(152,176)
Gain on disposal of intangible assets	-	12,191	-	72,753
Gain (loss) on valuation of financial assets or liabilities at fair value, net	163,723	135,968	(1,624,198)	(641,958)
Other investment gain (loss), net	-	(35,800)	15	(36,821)
Impairment losses on assets	(14,049)	(50,000)	(53,826)	(93,783)
Others	<u>125,161</u>	<u>129,768</u>	<u>144,946</u>	<u>261,415</u>
	<u>\$ 55,667</u>	<u>154,800</u>	<u>492,344</u>	<u>(613,792)</u>

(iv) Finance costs

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Interest expenses				
Bank loans	<u>\$ (563,820)</u>	<u>(411,998)</u>	<u>(1,072,855)</u>	<u>(906,208)</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's estimated employee and directors' compensation were as follows:

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Employee's compensation	\$ 207,312	104,210	291,740	219,441
Directors' compensation	13,683	7,024	19,255	14,629
	<u>\$ 220,995</u>	<u>111,234</u>	<u>310,995</u>	<u>234,070</u>

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

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

(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.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(i) Credit risk

As of June 30, 2017, December 31 and June 30, 2016, 64%, 60% and 72% of the Group's accounts receivable were all concentrated on 5, 4 and 6 specific customers, respectively. Accordingly, concentrations of credit risk exist.

(ii) Liquidity risk

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

	<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 June 30, 2017						
Non-derivative financial liabilities						
Short-term loans	\$ 51,345,571	51,423,311	51,423,311	-	-	-
Notes and accounts payable (including related parties)	112,845,434	112,845,434	112,845,434	-	-	-
Other payables (including related parties)	19,497,425	19,497,425	19,497,425	-	-	-
Long-term loans (including current portion)	<u>11,270,423</u>	<u>11,600,249</u>	<u>150,857</u>	<u>11,449,392</u>	-	-
Subtotal	<u>194,958,853</u>	<u>195,366,419</u>	<u>183,917,027</u>	<u>11,449,392</u>	-	-
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	14,188	2,865,033	2,865,033	-	-	-
Inflow	-	<u>(2,850,845)</u>	<u>(2,850,845)</u>	-	-	-
Carrying amount	<u>14,188</u>	<u>14,188</u>	<u>14,188</u>	-	-	-
Foreign currency forward contracts:						
Outflow	<u>2,960</u>	<u>2,960</u>	<u>2,960</u>	-	-	-
Carrying amount	<u>2,960</u>	<u>2,960</u>	<u>2,960</u>	-	-	-
Subtotal	<u>17,148</u>	<u>17,148</u>	<u>17,148</u>	-	-	-
Total	<u>\$ 194,976,001</u>	<u>195,383,567</u>	<u>183,934,175</u>	<u>11,449,392</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	-	<u>(16,685,639)</u>	<u>(16,685,639)</u>	-	-	-
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	-	<u>(483,621)</u>	<u>(483,621)</u>	-	-	-
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

	<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 June 30, 2016						
Non-derivative financial liabilities						
Short-term loans	\$ 64,173,112	64,271,283	64,271,283	-	-	-
Notes and accounts payable (including related parties)	90,763,324	90,763,324	90,763,324	-	-	-
Other payables (including related parties)	14,841,072	14,841,072	14,841,072	-	-	-
Long-term loans (including current portion)	<u>14,070,954</u>	<u>14,448,045</u>	<u>4,855,420</u>	<u>3,140,050</u>	<u>6,452,575</u>	<u>-</u>
Subtotal	<u>183,848,462</u>	<u>184,323,724</u>	<u>174,731,099</u>	<u>3,140,050</u>	<u>6,452,575</u>	<u>-</u>
Derivative financial liabilities						
Foreign currency swap contacts:						
Outflow	980,007	53,427,920	53,427,920	-	-	-
Inflow	-	(52,447,913)	(52,447,913)	-	-	-
Carrying amount	<u>980,007</u>	<u>980,007</u>	<u>980,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign currency forward contracts:						
Outflow	<u>21,573</u>	<u>21,573</u>	<u>21,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>21,573</u>	<u>21,573</u>	<u>21,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,001,580</u>	<u>1,001,580</u>	<u>1,001,580</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 184,850,042</u>	<u>185,325,304</u>	<u>175,732,679</u>	<u>3,140,050</u>	<u>6,452,575</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:

	<u>June 30, 2017</u>			<u>December 31, 2016</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	4,752.11	USD/BRL=	3,306	144,635	USD/BRL=	3,256
	74.06	USD/COP=	3,025,220	2,254	USD/COP=	2,997,230
	11,410.45	USD/CZK=	22,971	347,289	USD/CZK=	25,711
	142.07	USD/CLP=	665,700	4,324	USD/HKD=	7,755
	190.72	USD/INR=	64,830	5,805	USD/INR=	67,960
	6,204.34	USD/JPY=	111,710	188,836	USD/JPY=	117,050
	1,414.97	USD/MXN=	18,103	43,066	USD/MXN=	20,715
	230.34	USD/MYR=	4,293	7,010	USD/MYR=	4,488
	1,744,280.63	USD/TWD=	30,436	53,088,925	USD/TWD=	32,279
	148,864.42	USD/CNY=	6,784	4,530,838	USD/CNY=	6,937
CNY	45,788.23	CNY/TWD=	4,487	205,443	CNY/TWD=	4,654
	606,610.69	CNY/USD=	0.147	2,721,740	CNY/USD=	0.144
<u>Non-monetary</u>						
USD	16,613.52	USD/TWD=	30,436	505,649	USD/TWD=	32,279

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	June 30, 2017			December 31, 2016				
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD		
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD	10,198.82	USD/BRL=	3.306	310,411	307.80	USD/BRL=	3.256	9,935
	500.00	USD/CLP=	665.700	15,218	21,438.00	USD/CZK=	25.711	691,997
	17,932.67	USD/CZK=	22.971	545,798	6.02	USD/HKD=	7.755	194
	10.06	USD/HKD=	7.806	306	7,731.85	USD/INR=	67.960	249,576
	13,283.89	USD/INR=	64.830	404,308	1.53	USD/JPY=	117.050	49
	26.31	USD/JPY=	111.710	801	6,190.21	USD/MXN=	20.715	199,814
	7,019.46	USD/MXN=	18.103	213,644	3,152.94	USD/MYR=	4.488	101,774
	3,590.00	USD/MYR=	4.293	109,265	2,860,283.49	USD/TWD=	32.279	92,327,091
	2,911,128.43	USD/TWD=	30.436	88,603,106	26,744.48	USD/CNY=	6.937	863,285
	45,326.39	USD/CNY=	6.784	1,379,554				
CNY	2,625,974.17	CNY/USD=	0.147	11,782,222	2,812,562.03	CNY/USD=	0.144	13,088,257
					175.10	CNY/TWD=	4.654	815
<u>June 30, 2016</u>								
	Foreign currency	Exchange rate	TWD					
<u>Financial assets</u>								
<u>Monetary items</u>								
USD	5,592.61	USD/BRL=	3.250	180,563				
	5.21	USD/CLP=	3,025.900	168				
	16,659.71	USD/CZK=	24.396	537,875				
	236.00	USD/INR=	67.510	7,620				
	6,117.66	USD/JPY=	102.960	197,515				
	1,431.33	USD/MXN=	18.545	46,212				
	204.14	USD/MYR=	4.026	6,591				
	1,651,502.26	USD/TWD=	32.286	53,320,402				
	37,656.32	USD/CNY=	6.635	1,215,772				
	309.96	USD/TRY=	2.886	10,007				
CNY	28,465.00	CNY/TWD=	4.866	138,518				
	704,163.36	CNY/USD=	0.151	3,426,670				
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD	991.52	USD/BRL=	3.250	32,012				
	4,202.90	USD/CZK=	24.396	135,695				
	6.56	USD/HKD=	7.759	212				
	8,826.52	USD/INR=	67.510	284,973				
	560.95	USD/JPY=	102.960	18,111				
	6,156.98	USD/MXN=	18.545	198,784				
	2,850.00	USD/MYR=	4.026	92,015				
	2,525,257.95	USD/TWD=	32.286	81,530,478				
	84,914.01	USD/CNY=	6.635	2,741,534				
CNY	2,113,297.13	CNY/USD=	0.151	10,283,938				

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, 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 June 30, 2017 and 2016, would increase (decrease) the net profit after tax by \$1,725,016 and \$1,503,538, 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 \$56,477 and \$76,592 for the six-month periods ended June 30, 2017 and 2016, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at variable rates.

(v) Fair value information

1) Categories and fair values of financial instruments

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

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016					
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss derivative financial assets	\$ <u>563,629</u>	-	563,629	-	563,629
Available-for-sale financial assets	\$ <u>3,695,155</u>	3,123,623	571,532	-	3,695,155
Financial assets carried at cost	\$ <u>1,260,831</u>	-	-	-	-
Other financial assets-current	\$ <u>4,752,477</u>	-	4,752,477	-	4,752,477
Loans and receivables					
Cash and cash equivalents	\$ 53,259,595	-	-	-	-
Notes and accounts receivable(including related parties)	74,421,306	-	-	-	-
Other receivable (including related parties)	4,787,493	-	-	-	-
Subtotal	\$ <u>132,468,394</u>	-	-	-	-
Guarantee deposits	\$ <u>359,211</u>	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ <u>1,001,580</u>	-	1,001,580	-	1,001,580
Financial liabilities at amortized cost					
Short-term loans	\$ 64,173,112	-	-	-	-
Notes and accounts payable (including related parties)	90,763,324	-	-	-	-
Other payables (including related parties)	14,841,072	-	-	-	-
Long-term loans (including current portion)	14,070,954	-	-	-	-
Subtotal	\$ <u>183,848,462</u>	-	-	-	-

2) Valuation techniques and assumptions used in fair value determination

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

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

3) Transfer from Level 1 to Level 2: none

4) Changes between Level 3: none

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(vi) Offsetting financial assets and financial liabilities

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

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

June 30, 2017						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other financial assets-current	\$ 35,987,596	35,987,596	-	-	-	-

June 30, 2017						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Short-term loans	\$ 35,994,353	35,987,596	6,757	-	-	6,757

(u) Financial risk management

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

(v) Capital management

The Group's approaches to the targets, policies and procedures in capital management were the same as those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to the note 6(w) of the consolidated financial statements for the year ended December 31, 2016, and for other related information.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Total liabilities	\$ 211,425,067	214,787,109	200,140,718
Total assets	\$ 275,368,282	282,755,558	265,675,697
Debt ratio	77%	76%	75%

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (b) Names and relationship with related parties

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

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(c) Related party transactions

(i) Sales

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

	<u>Sales</u>				<u>Receivables from related parties</u>		
	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	<u>\$ 13,491</u>	<u>377,514</u>	<u>25,254</u>	<u>1,181,148</u>	<u>8,406</u>	<u>5,769</u>	<u>179,696</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.

(ii) Purchases

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

	<u>Purchases</u>				<u>Payables to related parties</u>		
	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates	<u>\$ 562,481</u>	<u>1,128,397</u>	<u>1,069,151</u>	<u>2,506,147</u>	<u>845,104</u>	<u>1,186,708</u>	<u>1,337,230</u>

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

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) Other income and others

	Amount				Other receivables from related parties		
	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016	June 30, 2017	December 31, 2016	June 30, 2016
Associates:							
Rental income	\$ 2,740	1,701	4,867	3,527	656	355	-
Property transactions	\$ -	490	-	490	-	137	496
					<u>656</u>	<u>492</u>	<u>496</u>

(iv) Operating expense and others

	Amount				Other payables to related parties		
	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016	June 30, 2017	December 31, 2016	June 30, 2016
Associates:							
Property transactions	\$ 3,778	1,731	3,778	4,641	1,343	31,069	3,960
Other related parties:							
Contribution	\$ 1,350	(37,212)	2,700	(31,812)	-	-	-
					<u>1,343</u>	<u>31,069</u>	<u>3,960</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		
	June 30, 2017	December 31, 2016	June 30, 2016
Associates	\$ 2,484	4,186	14,317

(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		
	June 30, 2017	December 31, 2016	June 30, 2016
Associates	\$ 3,312	12,185	13,871

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Receivables from related parties:			
Notes and accounts receivable	\$ <u>8,406</u>	<u>5,769</u>	<u>179,696</u>
Other receivable-related parties:			
Rental receivable	\$ 656	355	-
Receivable from sale of property, plant and equipment	-	137	496
Other receivables	<u>2,484</u>	<u>4,186</u>	<u>14,317</u>
	<u>\$ 3,140</u>	<u>4,678</u>	<u>14,813</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Payables to related parties:			
Notes and accounts payable	\$ <u>845,104</u>	<u>1,186,708</u>	<u>1,337,230</u>
Other payables-related parties:			
Payable to purchase of property, plant and equipment	\$ 1,343	31,069	3,960
Other payables	<u>3,312</u>	<u>12,185</u>	<u>13,871</u>
	<u>\$ 4,655</u>	<u>43,254</u>	<u>17,831</u>

(d) Transactions with key management personnel

Key management personnel compensation:

	<u>April to June, 2017</u>	<u>April to June, 2016</u>	<u>January to June, 2017</u>	<u>January to June, 2016</u>
Short-term employee benefits	\$ 14,672	14,863	28,319	29,446
Post-employment benefits	<u>296</u>	<u>308</u>	<u>576</u>	<u>609</u>
	<u>\$ 14,968</u>	<u>15,171</u>	<u>28,895</u>	<u>30,055</u>

(8) Pledged assets:

The carrying values of pledged assets are as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Property, plant and equipment-lands and buildings	Bank loan	\$ 328,698	333,080	379,205
Other non-current assets-restricted bank deposit	Stand by L/C	9,528	9,434	9,529
Other non-current assets-restricted bank deposit	Foreign exchange guarantee	-	325,745	340,641
Other non-current assets-restricted bank deposit	Custom guarantee	7,087	6,456	6,457
Other non-current assets-restricted bank deposit	Performance guarantee	-	-	4,672
Other non-current assets-restricted bank deposit	Litigation guarantee	<u>1,066</u>	<u>980</u>	<u>808</u>
		<u>\$ 346,379</u>	<u>675,695</u>	<u>741,312</u>

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Commitments and contingencies:

As of June 30, 2017, December 31 and June 30, 2016, the unused letters of credit were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Unused letters of credit	\$ 106,116	90,566	187,010

(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 six-month periods ended June 30, 2017 and 2016 were as follows:

	April to June, 2017			April to June, 2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	3,798,257	2,668,636	6,466,893	3,250,469	2,450,526	5,700,995
Labor and health insurance	469,344	244,748	714,092	391,056	219,475	610,531
Pension	17,015	97,241	114,256	18,016	96,802	114,818
Others	507,495	160,952	668,447	133,390	137,668	271,058
Depreciation	1,517,820	382,165	1,899,985	1,418,085	481,037	1,899,122
Amortization	2,869	77,157	80,026	2,175	108,180	110,355

	January to June, 2017			January to June, 2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	7,394,947	5,141,636	12,536,583	6,262,825	4,882,748	11,145,573
Labor and health insurance	870,723	485,895	1,356,618	795,068	462,472	1,257,540
Pension	33,928	191,801	225,729	35,741	192,013	227,754
Others	1,289,845	310,816	1,600,661	293,449	271,933	565,382
Depreciation	3,012,245	818,141	3,830,386	2,846,457	1,017,360	3,863,817
Amortization	5,389	159,605	164,994	4,539	217,870	222,409

(b) Operation seasonal factors

The operation of the Group is neither seasonal nor cyclical.

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Segment information:

April to June, 2017				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 177,463,351	16,374,833	-	193,838,184
Segment revenues	1,386,949	348,782	(1,735,731)	-
Total revenues	\$ 178,850,300	16,723,615	(1,735,731)	193,838,184
Segment profit	\$ 1,730,681	(296,969)	(168,299)	1,265,413

April to June, 2016				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 129,167,134	17,460,003	-	146,627,137
Segment revenues	1,419,614	340,990	(1,760,604)	-
Total revenues	\$ 130,586,748	17,800,993	(1,760,604)	146,627,137
Segment profit	\$ 1,465,185	(517,727)	(33,813)	913,645

January to June, 2017				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 325,958,042	36,288,254	-	362,246,296
Segment revenues	2,466,933	625,034	(3,091,967)	-
Total revenues	\$ 328,424,975	36,913,288	(3,091,967)	362,246,296
Segment profit	\$ 2,157,873	(233,002)	117,435	2,042,306

January to June, 2016				
	R&D and Manufacturing	Others	Eliminations	Total
Revenues from external customers	\$ 244,645,637	36,677,122	-	281,322,759
Segment revenues	3,004,930	780,223	(3,785,153)	-
Total revenues	\$ 247,650,567	37,457,345	(3,785,153)	281,322,759
Segment profit	\$ 2,271,775	203,954	(959,192)	1,516,537

(Continued)

WISTRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	June 30, 2017			
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 66,509,541	16,377,037	-	82,886,578
Inventories	<u>62,857,242</u>	<u>8,342,790</u>	-	<u>71,200,032</u>
Segment identifiable assets	<u>\$ 129,366,783</u>	<u>24,719,827</u>	-	<u>154,086,610</u>
General assets				<u>121,281,672</u>
Total assets				<u>\$ 275,368,282</u>
	June 30, 2016			
	R&D and Manufacturing	Others	Eliminations	Total
Accounts receivable	\$ 58,615,260	15,626,350	-	74,241,610
Inventories	<u>52,782,516</u>	<u>9,876,425</u>	-	<u>62,658,941</u>
Segment identifiable assets	<u>111,397,776</u>	<u>25,502,775</u>	-	<u>136,900,551</u>
General assets				<u>128,775,146</u>
Total assets				<u>\$ 265,675,697</u>