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Wistron NeWeb Corporation

2014 Annual Report (Translation)

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http://mops.twse.com.tw http://www.wnc.com.tw

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This English version of the Annual Report is a summarized translation of the Chinese version of Wistron NeWeb Corporation's Annual Report. This document is created for the sole purpose of the convenience of readers and is not an official document representing the financial position of the company per Taiwan laws.

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

Index

1. LETTER TO SHAREHOLDERS 1

2. COMPANY INTRODUCTION 3

2.1 DATE OF ESTABLISHMENT 3
2.2 MILESTONES 3

3. OPERATIONAL HIGHLIGHTS 6

3.1 ORGANIZATION STRUCTURE 6
3.2 BOARD OF DIRECTORS, SUPERVISORS, AND KEY MANAGERS BACKGROUND INFORMATION 8
3.3 CORPORATE GOVERNANCE 14

4. OVERVIEW OF BUSINESS OPERATIONS 26

4.1 BUSINESS CONTENT 26
4.2 MARKET AND SALES OVERVIEW 32
4.3 EMPLOYEE DATA DURING THE MOST RECENT TWO YEARS 39
4.4 ENVIRONMENTAL PROTECTION MEASURES 39

5. FINANCIAL STANDING 40

5.1 MOST RECENT FIVE-YEAR CONCISE FINANCIAL INFORMATION 40
5.2 MOST RECENT FIVE-YEAR FINANCIAL ANALYSIS 48
5.3 2014 AUDIT COMMITTEE'S REVIEW REPORT 52
5.4 FINANCIAL REPORTS 53

6. FINANCIAL ANALYSIS, FINANCIAL PERFORMANCE ANALYSIS, AND RISK MANAGEMENT 119

6.1 FINANCIAL ANALYSIS (CONSOLIDATED) 119
6.2 FINANCIAL PERFORMANCE ANALYSIS (CONSOLIDATED) 120
6.3 CASH FLOW ANALYSIS 121
6.4 EFFECTS OF SIGNIFICANT CAPITAL EXPENDITURES ON FINANCIAL OPERATION: 121
6.5 POLICY FOR REINVESTMENT 121
6.6 RISK MANAGEMENT 122
6.7 OTHER IMPORTANT MATTERS 124

1. Letter to Shareholders

Dear Shareholders,

Looking back at 2014, the global economy has stabilized, and in the industry WNC operates, topics on the Internet of things, intelligent devices, smart devices, smart homes, smart energy, the Internet of vehicles, intelligent surveillance, and cloud service are all popular and widely discussed. This trend of prosperity in the communications industry presents WNC with positive growth prospects. However, this rapidly changing and highly competitive industry has always come with challenges. At WNC, “Fundamentals Advocacy” is one of the core values we abide by, and through it we seek innovation and change; we make every endeavor to improve our efficiency and quality, preparing ourselves to respond to this fickle and ever-changing business environment. At the same time, we will pay close attention to the international economic and political situations and respond to the possible challenges and changes to further improve the company’s overall operational and financial performance.

Financial and Operational Results

In 2014, WNC’s consolidated revenue was NT$40.32 billion with an annual growth rate of 10%. Consolidated gross profit was NT$5.42 billion, and consolidated profit after tax was NT$1.3 billion. Basic earnings per share were NT$4.28.

With regard to corporate operations as a whole, WNC has been devoting efforts in the past few years to investing in new technologies, rolling out new products, developing new markets, enhancing internal operational efficiency, and meeting customer demands with high-quality products and technical services. With our responsiveness when confronting challenges despite uncertainties in the industry and markets, WNC this year still maintained comparable competitiveness and profitability.

Research and Development Status

With communications products and applications continuing to hit the market, we have witnessed the communications industry advancing at an astonishing rate. To remain at the forefront of the industry, WNC has been dedicated to the research and the integration of a variety of cutting-edge technologies, including M2M communications technology, identification and sensing technology, telematics, and smart-home applications. We will also emphasize marketing and knowledge management to deliver even higher industrial competitiveness.

In order to develop new technologies and applications, WNC has systematically developed an array of new technologies, new products, as well as platforms for research and development (including on-line R&D forums and R&D cloud platforms). As of the end of 2014, WNC has over 1,600 approved patents and patents pending. We hope that we can steadily increase our R&D strength and enhance our product value and continuously consolidate WNC’s competiveness in the wireless communications industry.

As an indicator of our progress, WNC has been recognized once again in 2014 through our winning of the Hsinchu Science Park’s Innovative Product Award for our high-sensitivity RFID antenna and reader system. This is the sixth time WNC has won this prestigious award, which stands as a solid testament to our achievement in innovation.

Operation and Management

Compared to previous years, the overall global economy has shown signs of stability, but in this globalized market, we are still faced with challenges such as demands for a variety of customized products and the rapid change of product life-cycle durations. This also means that we must have a higher standard for our design capability, a high-quality manufacturing & business model, and highly flexible global-materials management systems in response to customer and market demands. Therefore, we will apply a more global and holistic management perspective to optimize our existing value chains in order to reduce operating costs, enhance operational efficiency, and increase profitability.

WNC published its 2013 Corporate Social Responsibility Report in June 2014. The report disclosed the measures and their effectiveness that WNC implemented in aspects including its operations, environmental protection, and social participation from January through December of 2013. The report covers the scope of WNC's Taiwan headquarters and its major manufacturing sites in China, allowing all stakeholders to better understand what WNC has carried out in its CSR policies and measures. The report has been certified by an independent third-party inspection unit in compliance with GRIG3.1 Application Level B+ as well as AA1000 Type I Moderate Level, and we also won the 2014 Taiwan Corporate Sustainability Report Award. These efforts are a representation of WNC's endeavors in promoting corporate social responsibilities.

Future Outlook

Looking into the future, we foresee devices being increasingly connected while adopting the accompanying standards protocols in addition to applications of new business models. Benefiting from such developments, the world's IT industry has gradually modified their design of products. We also see demand continue to grow in markets for smart-home products and wireless broadband, and the development of cloud services, M2M, and automotive-/industrial-grade systems will also significantly increase.

WNC thus seeks to improve the effectiveness and reliability of the connection and data transmission between devices (M2M & D2D) through a variety of communications technology capabilities. We will work closely with our customers and suppliers to build a business ecosystem for the communications industry, providing a single technology module, system products, or technical services in the diverse applications of transport management, the smart home, energy management, broadband Internet, and intelligent living.

With these goals and challenges in the year ahead, we then return to our core value of "fundamentals advocacy". With it, we will continue to face this highly competitive market and our various customers' needs with the highest integrity, providing products with premium quality and performance and earning the highest profits for our shareholders by maintaining stable, positive corporate operating growth.

On behalf of all WNC employees, we wish to thank all of our shareholders for their continued encouragement and support.

Thank you!

Haydn Hsieh

Chairman of Wistron NeWeb Corporation

2. Company Introduction

2.1 Date of Establishment

December 7, 1996

2.2 Milestones

Dec.	1996	Wistron NeWeb Corporation was founded, located on Dongda Rd., Hsinchu, Taiwan.
April	1997	Established manufacturing plant on Fenggang Rd., in Zhubei City.
April	1998	Obtained ISO 9001 certification.
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
June	2000	Bluetooth product series honored with the Best Product Award at Computex Taipei 2000.
July	2000	Springboard Wireless Connector technology transferred from WIDCOMM (U.S.).
Aug.	2000	Officially commenced mass production of PHS handsets.
Sept.	2000	Bluetooth PDA Connector and IEEE 802.11b PCMCIA Card received the Taiwan Symbol of Excellence Award.
Dec.	2000	Established ANC Holding Corporation.
Oct.	2001	Established WNC Holding Corporation.
Dec.	2001	Bluetooth USB dongle received the Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park.
May	2002	Established NeWeb Holding Corporation.
July	2002	Honored with the Best International Import and Export Trade Growth in Taiwan.
Feb.	2003	Established W-NeWeb Corp. in the U.S.
Sept.	2003	Wistron NeWeb Corporation publicly listed on the Taiwan Stock Exchange.
Nov.	2003	IEEE 802.11a/g Switch received the Hsinchu Science Park 2003 Innovation Product Award.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in Mainland China.
March	2004	Established WNC (Kunshan) Corporation in Mainland China.
May	2004	Merger with Acer Netxus Inc. completed on May 31, 2004.
Nov.	2005	Obtained ISO 14001 certification.
Nov.	2005	LNB annual output reached 10 million.
Dec.	2005	Obtained ISO/TS 16949 certification.
Jan.	2006	Wi-Fi Phone received the 2006 CES Innovations Design and Engineering Award.
Feb.	2006	Obtained SONY Green Partner Certification.
April	2006	Established Wistron NeWeb (Kunshan) Corporation in Mainland China.
June	2006	GSM/Wi-Fi Dual Net Phone received the 2006 Best Choice of Computex Taipei Award.
Nov.	2006	Honored with the Hsinchu Science Park R&D Accomplishment Award.
July	2007	Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in Mainland China.
Dec.	2007	Started mass production of Ka/Ku ODU products.

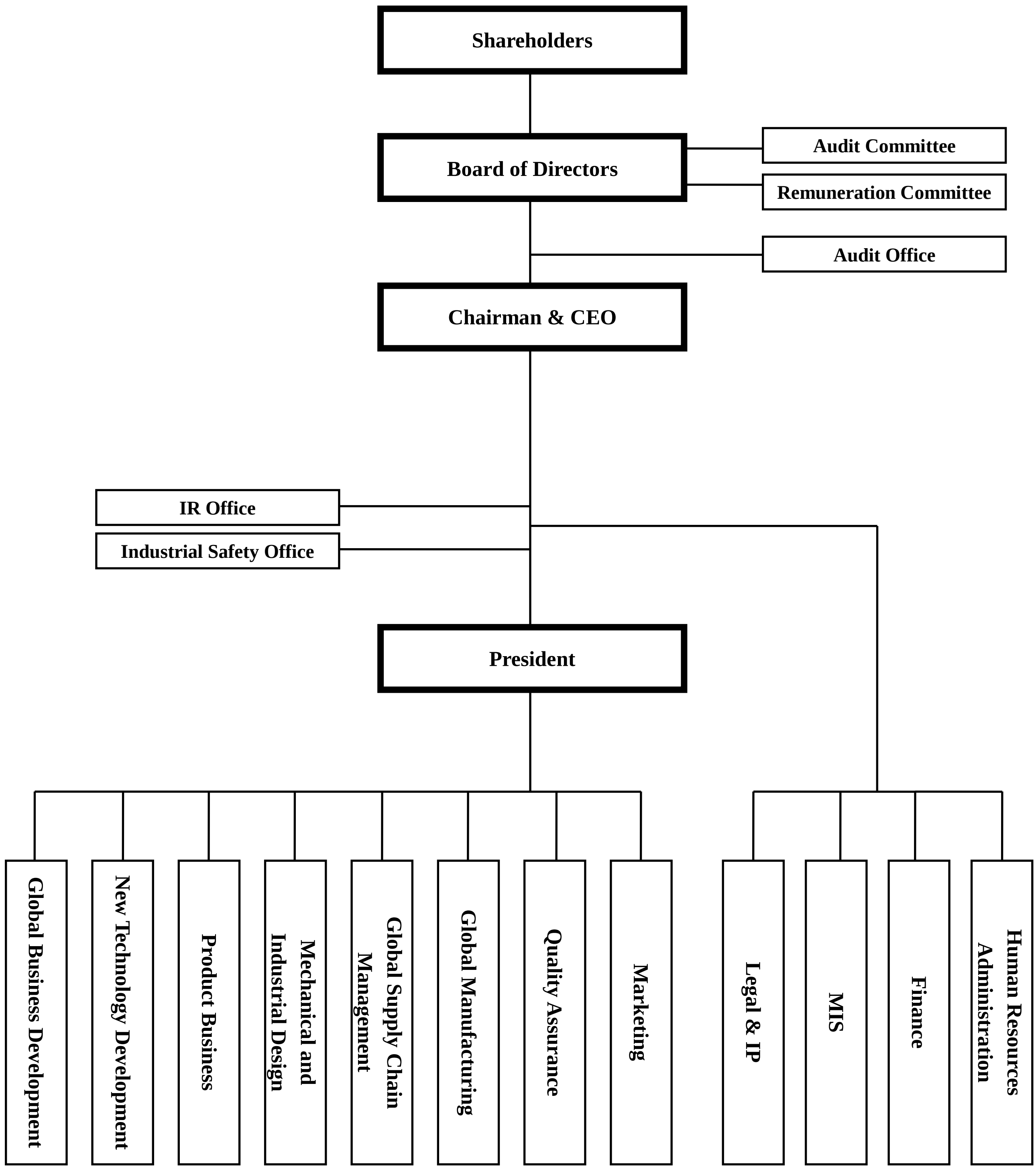
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008	Began construction of the new WNC headquarters building.
Sept.	2008	The Wi-Fi Media Frame wireless multimedia player received a Hsinchu Science Park Innovation Product Award.
Oct.	2008	Obtained OHSAS 18001 certification.
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Nov.	2009	Received the Hsinchu Science Park R&D Accomplishment Award.
Nov.	2009	Completed training programs for the EuP Directive 2005/32/EC and applied the principles in the product design processes.
Jan.	2010	Moved to 20 Park Avenue II (or Yuanchiu 2nd Rd), Hsinchu Science Park.
April	2010	Completed training programs for the ErP Directive 2009/125/EC and applied the principles in the product design processes.
June	2010	UI design artwork (Fun-Quick) received the 2010 iF communication design award.
Aug.	2010	Received the Contribution Award and the Invention Award at the 2010 National Invention & Creation Awards.
Oct.	2010	Received the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Hsinchu Science Park's Innovative Product Award.
Dec.	2010	Recognized in the 2010 Asiamoney Corporate Governance Poll as Overall Best for Investor Relations across Asia (among other awards).
April	2011	Obtained IECQ QC080000 (Hazardous Substance Process Management) and ANSI/ESD S20.20 (Electronic Discharge Control Program) certifications.
June	2011	Published the first edition of the Corporate Social Responsibility report.
Aug.	2011	Smart Shortcut hand-held interface received a reddot award for communication design.
Aug.	2011	Awarded the National HRD InnoPrize.
Sept.	2011	Automotive BSD radar system commenced shipping.
Sept.	2011	Honored with the Creation Award at the 2011 National Invention & Creation Awards.
Oct.	2011	Established the Irvine Office for the North American market.
Dec.	2011	Received the Hsinchu Science Park Innovative Product Award and the R&D Accomplishment Award.
March	2012	Established the New Jersey Office for the North American market.
July	2012	Established the WNC EICC management committee.
Sept.	2012	Won an Invention Award in the 2012 National Invention & Creation Awards.
Nov.	2012	4G Mobile Hotspot received the 2013 CES Innovations Design and Engineering Award.
Dec.	2012	Received the Industrial Development Bureau, Ministry of Economic Affairs Industrial Sustainable Excellence Award and the Hsinchu Science Park R&D Accomplishment Award.
April	2013	Recognized among the 2012 Deloitte Technology Fast500 Asia Pacific
Nov.	2013	Certified as an "Authorized Economic Operator (AEO)" by the Customs Administration, Ministry of Finance, R.O.C.

Nov.	2013	Ranked first in the CommonWealth magazine “Most Admired Company” 2013 survey among telecommunication enterprises in Taiwan.
Dec.	2013	Honored with the 2013 Hsinchu Science Park R&D Accomplishment Award and the Innovative Product Award.
March	2014	Obtained TL 9000 (quality management system for the telecommunications industry) certification.
June	2014	Mr. Haydn Hsieh was elected by the BOD as the Chairman.
July	2014	Established WNC UK Limited in the UK.
Oct.	2014	Obtained ISO/IEC 27001 (information security management system) certification.
Nov.	2014	Awarded the Taiwan Corporate Sustainability Report Award (Bronze Award) from the Taiwan Institute for Sustainable Energy.
Dec.	2014	Awarded the Hsinchu Science Park Innovative Product Award.
Jan.	2015	Established WNC Japan Inc. in Japan.
March	2015	Obtained ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) certification.
April	2015	Obtained FSC® (Forest Stewardship Council®) Chain-of-Custody certification.

3. Operational Highlights

3.1 Organization Structure

3.1.1 Organizational Chart



3.1.2 Departmental Functions

Department	Main Responsibilities
Audit Office	Responsible for internal auditing and evaluation of the company's internal operations
IR Office	Responsible for maintenance of corporate and investor relations
Industrial Safety Office	Safety inspections of WNC's offices and factories, environmental pollution prevention, and safety maintenance
Human Resources Administration	Responsible for the company's management systems, human resources, employee welfare, health and safety, employee training, and general affairs
Finance	Responsible for treasury, financial management, investment, accounting services, and tax services
MIS	Company information systems, software, and network management and maintenance
Legal & IP	Legal affairs of the company, contracts, patents, trademarks, technology licensing, IP, and legal consultative services
Product Business	Market development, order handling, customer and payment management, customer complaint handling, new product planning, and product development, coordination, and control
New Technology Development	New product design and technology development, design, sample production, technology transfers, product improvement, product failure analysis, fixture design/construction, and technical support for marketing departments and customers
Global Business Development	Development of new customers worldwide
Mechanical and Industrial Design	Product appearance development, mechanical design, and evaluation and supervision of product quality of qualified vendors
Global Manufacturing	Raw materials warehouse management, manufacturing, production schedule planning, manufacturing process planning and improvement, outsourcing management, and product inspection and delivery
Global Supply Chain Management	Global material planning, purchasing, logistics support, and supplier quality management
Quality Assurance	Responsible for quality and reliability assurance, shipping inspection, after-sales service, and ISO quality system implementation and improvement
Marketing	Business information compilation, marketing strategies, exhibition promotion, advertising, and Internet marketing activities

3.2 Board of Directors, Supervisors, and Key Managers Background Information

3.2.1 Information on the Board of Directors (April 12, 2015)

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CEO	R.O.C.	Haydn Hsieh (Note 1)	06/06/2014	3	5,226,652	1.62%	5,546,194	1.69%	77,206	0.02%	Bachelor's	Director of aEnrich Technology Corp. Director of Wistron Director of AOPEN Independent Director of Raydium Chairman & CEO of Wistron NeWeb	N/A	N/A	N/A
Director	R.O.C.	Wistron Corp.	06/06/2014	3	79,780,682	24.79%	81,376,389	24.75%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Frank F.C. Lin	06/06/2014	3	193,762	0.06%	197,637	0.06%	148,271	0.05%	Bachelor's	Director of AOPEN Director of Wistron ITS Chairman of AnexTEK Director of Changing Supervisor of aEnrich Technology Corp. Chairman of WiseCap Chairman of WLB Supervisor of Formosoft Director of Nolvate Advanced Ltd. Director of Wiwynn Director of Join-Link International Technology (and others)	N/A	N/A	N/A
Director	R.O.C.	Wistron Corp.	06/06/2014	3	79,780,682	24.79%	81,376,389	24.75%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Henry Lin (Note 2)	06/06/2014	3	0	0%	0	0	0	0%	Master's	CFO of Wistron Co. Director of Browave Independent Director of RDC Semiconductor Independent Director of Young Optics Independent Director AVer Information Inc. The representative of AOPEN as a member of the board of directors	N/A	N/A	N/A
Director & President	R.O.C.	Jeffrey Gau	06/06/2014	3	1,956,706	0.61%	2,207,845	0.67%	289,858	0.09%	Ph.D.	President of Wistron NeWeb	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Director	R.O.C.	Max Wu	06/06/2014	3	0	0%	0	0%	0	0%	Bachelor's	Chairman of Birch Venture Capital Chairman of the NCTU Spring Foundation Director of Novatek Director of Glory Praise Photronics Independent Director of Apacer Director of MicroBase Technology Supervisor of Antec	N/A	N/A	N/A
Director	R.O.C.	Philip Peng	06/06/2014	3	114,619	0.04%	116,911	0.04%	0	0%	Master's	Independent Director of AU Optronics The representative of Acer as a member of board of directors Director of Acer Investment Inc. Director of AOPEN Director of Wistron ITS President and Director of iD SoftCapital Chairman of Smart Capital Corp. The representative of Dragon Investment Fund I Co. as a member of board of directors The representative of iD innovation as a Supervisor on board of directors (and others)	N/A	N/A	N/A
Chairman & CSO	R.O.C.	Wistron Corp.	06/17/2011	3	70,261,904	25.80%	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Simon Lin (Note 3)	06/17/2011	3	1,904,036	0.70%	-	-	-	-	Bachelor's	Chairman & CEO of Wistron Chairman of AOPEN Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Corp. Director of Keen High Chairman of Wiwynn	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Independent Director	R.O.C.	Robert Hung	06/06/2014	3	0	0%	0	0%	0	0%	Master's	Independent Director of TSRC	N/A	N/A	N/A
Independent Director	R.O.C.	S.T. Peng	06/06/2014	3	0	0%	0	0%	0	0%	Ph.D.	Professor Emeritus of the Department of Communications Engineering at Yuan Ze University (YZU) Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation Supervisor of the NCTU Spring Foundation Supervisor of the Intelligent Transportation Society of Taiwan Executive supervisor of the Taiwan Telematics Industry Association	N/A	N/A	N/A
Independent Director	R.O.C.	Morgan Chang (Note 4)	06/06/2014	3	0	0%	-	-	-	-	Bachelor's	CEO of Kuang Chien Computer Supervisor of Great Eastern Resins (GRECO) Chairman of Manufacturers Association of Taichung Industrial Park	N/A	N/A	N/A

Note 1: Mr. Haydn Hsieh was elected by the BOD as the Chairman on June 6, 2014.

Note 2: Mr. Henry Lin was appointed by Wistron Corp. to the position of Director on June 6, 2014.

Note 3: Mr. Simon Lin served as the Chairman until June 6, 2014 at the shareholders' meeting.

Note 4: Mr. Morgan Chang resigned from his position as an Independent Director on Dec. 24, 2014.

3.2.2 Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders (April 28, 2015)

Name	Major Shareholders	Percentage (%)
Wistron Corporation	Shin Kong Life Insurance Company Limited	2.69
	GMO Emerging Markets Fund	2.67
	Bank SinoPac Trust Account	2.47
	Acer Incorporated	1.97
	Management Board of Public Service Pension Fund	1.89
	Fubon Life Insurance Company Limited	1.89
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.73
	Dimensional Emerging Markets Value Fund	1.48
	Labor Pension Fund Supervisory Committee	1.25
	Kuo Su-Mei	1.25
	Lin Jen-Mei	1.25

3.2.3 Major Shareholders of the Institutional Shareholders Listed in Section 3.2.2 (April 25, 2015)

Name	Major Shareholders	Percentage (%)
Fubon Life Insurance Company Limited	Fubon Financial Holding Co., Ltd.	100
Shin Kong Life Insurance Company Limited	Shin Kong Financial Holding Co., Ltd.	100
Acer Incorporated	Stan Shih	2.61
	Hung Rouan Investment Corp.	2.38
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.72
	Cathay Life Insurance Co., Ltd.	1.38
	Management Board of Public Service Pension Fund	1.29
	Acer GDR	1.10
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.68
	Carolyn Yeh	0.61
	The Master Trust Bank of Japan, Ltd. as trustee for Government Pension Investment Fund--Nomura Asset Management Co., Ltd. as external fund manager	0.56
	CTBC Trust Account	0.56

3.2.4 President, Vice President, Associate Vice President, and Key Managers Background Information

April 12, 2015

Title	Nationality	Name	Date Assumed Office	Shares Held		Shares Held by their Spouses and/or Minor Children		Shares Held in Another's Name		Education	Selected Current Positions in Other Companies	Spouse or Relative Holding a Position as Key Manager		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CEO	R.O.C.	Haydn Hsieh (Note 1)	06/14/2000	5,546,194	1.69%	77,206	0.02%	0	0	Bachelor's	Director of aEnrich Technology Corp. Director of Wistron Director of AOPEN Independent Director of Raydium	N/A	N/A	N/A
Chairman & CSO	R.O.C.	Simon Lin (Note 2)	11/26/1996	-	-	-	-	-	-	Bachelor's	Chairman & CEO of Wistron Chairman of AOPEN Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Corp. Director of Keen High Chairman of Wiwynn	N/A	N/A	N/A
Director & President	R.O.C.	Jeffrey Gau	01/01/2008	2,207,845	0.67%	289,858	0.09%	0	0	Ph.D.	N/A	N/A	N/A	N/A
Senior Vice President & General Manager of Business Group	R.O.C.	Larry Lee	08/16/2005	438,893	0.13%	102,100	0.03%	0	0	Master's	N/A	N/A	N/A	N/A
Senior Vice President	R.O.C.	Fayu Chen	04/07/2008	442,676	0.13%	894	0	0	0	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Johnson Hsu	02/05/2010	277,401	0.08%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Ray Lee (Note 3)	02/01/2006	340,616	0.10%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Bird Huang (Note 3)	02/05/2010	174,540	0.05%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Jack Liu (Note 3)	03/18/2015	26,564	0.01%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A

Title	Nationality	Name	Date Assumed Office	Shares Held		Shares Held by their Spouses and/or Minor Children		Shares Held in Another's Name		Education	Selected Current Positions in Other Companies	Spouse or Relative Holding a Position as Key Manager		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
General Plant Manager	R.O.C.	Andrew Wong	12/01/2009	103,218	0.03%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Financial Officer	R.O.C.	Jona Song	01/01/2002	625,107	0.19%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Logistics Officer	R.O.C.	Jasmine Huang	08/16/2005	429,287	0.13%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Technology Officer	R.O.C.	Horen Chen	11/05/2013	745,213	0.23%	0	0	0	0	Ph.D.	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Chris Hwang	02/05/2010	177,820	0.05%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	TJ Chen	02/05/2010	173,497	0.05%	6,539	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Apollo Shyong	04/05/2012	186,460	0.06%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Michael SY Chen	04/05/2012	52,600	0.02%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	David Tsai	09/10/2012	17,200	0.01%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Dennis Kung	11/05/2013	0	0	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Jeff Chang (Note 4)	08/05/2009	-	-	-	-	-	-	Bachelor's	N/A	N/A	N/A	N/A

Note 1: Mr. Haydn Hsieh was elected by the BOD as the Chairman on June 6, 2014.
Note 2: Mr. Simon Lin served as Chairman until June 6, 2014 at the shareholders' meeting and served as CSO until July 16, 2014.
Note 3: Mr. Ray Lee, Mr. Bird Huang, and Mr. Jack Liu were promoted (appointed) to Vice Presidents on Mar. 18, 2015.
Note 4: Mr. Jeff Chang served as Associate Vice President until January 5, 2015.

3.3 Corporate Governance

3.3.1 Corporate Governance and the Discrepancies Between Actual Corporate Governance and the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reason for the Discrepancy

Evaluation Item	Implementation Status: Yes	No	Description	Discrepancies/ Reasons
A. Does your company establish and disclose your own corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"?	✓		WNC has established its corporate governance best-practice principles, based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and has disclosed the principles through the Market Observation Post System (MOPS). The principles are established for carrying out corporate governance and to maximize shareholder profits and sustainability in corporate operations.	None
B. Ownership structure and shareholders' equity				None
a. Does your company establish an internal process for handling shareholders' proposals, questions, disputes, and lawsuits?	✓		a. WNC has designated the Shareholders Service Office to handle shareholders' proposals and disputes.	
b. Does your company maintain information on the identities of major shareholders and their ultimate controlling persons?	✓		b. WNC maintains information on the identities of major shareholders and their ultimate controlling persons. The shareholders' list is available and is disclosed regularly according to government regulations.	
c. Does your company establish and implement a risk control mechanism and firewalls with affiliates?	✓		c. WNC has established the appropriate risk control mechanisms and firewalls according to regulations and internal rules, such as rules for supervision over subsidiaries, rules governing endorsements and guarantees, loaning of funds, and the rules governing acquisition or disposal of assets.	
d. Does your company establish internal regulations to prevent insider trading?	✓		d. WNC has established procedures to control the disclosure of material information and to prevent insider trading.	
C. Composition and duties of Board of Directors				None
a. Does the Board of Directors establish and implement plans to diversify the composition of its members?	✓		a. Members of WNC's Board of Directors are elected based on regulations and laws. We will study and propose related measures based on actual requirements.	
b. Does the company spontaneously set up functional committees other	✓		b. If there is a need, WNC will set up functional committees other than the remuneration committee and audit committee.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Discrepancies/ Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>than the remuneration committee and audit committee required by law?
c. Does the company establish performance evaluation measures/methods for the Board of Directors and conduct regular, annual evaluations?
d. Does the company conduct regular evaluation of the independence of the CPA?</td><td>
✓
✓</td><td></td><td>c. There are currently no such measures. WNC will study and propose related measures based on actual requirements.
d. Evaluating the qualification and the independence of the CPA is one of the major duties of WNC’s audit committee and the Board of Directors. The CPA also submits a statement of their independence every year. Rotation of the CPA is also performed based on related regulations.</td><td></td></tr>
<tr><td>D. Does the company establish communication channels with stakeholders?</td><td>✓</td><td></td><td>WNC has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders. For more details please refer to the stakeholder communication section of WNC’s CSR report and the CSR page of WNC’s website.</td><td>None</td></tr>
<tr><td>E. Does the company engage a professional agency to handle shareholder services relating to the annual shareholders’ meeting?</td><td>✓</td><td></td><td>WNC has hired personnel with professional stock-service experience to handle related services. In addition to ensuring the experience and education of the personnel are in accordance with laws and regulations, the personnel members are required to continuously participate in stock-service related training.</td><td>None</td></tr>
<tr><td>F. Disclosure of information
a. Does the company utilize a website to disclose finance, operational, and corporate information?
b. Are there other means of disclosing information?</td><td>
✓
✓</td><td></td><td>a. WNC has set up a website with information on finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations.
b. WNC has one chief spokesman and one acting spokesman and has also designated a team responsible for gathering and disclosing information.</td><td>None</td></tr>
<tr><td>G. Are there other important discourses that help shareholders to understand the enforcement of corporate governance of the company?</td><td>✓</td><td></td><td>(1) The recruitment policies of WNC conform to government regulations. All employees have equal rights and development opportunities in WNC.
(2) WNC signs purchasing contracts with suppliers to protect mutual rights.
(3) WNC establishes internal management systems based on laws and regulations to conduct risk management. Internal audit personnel also</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Discrepancies/ Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>conduct regular audits for WNC’s risk management.
(4) WNC maintains stable and close relationships with customers to obtain stable and reasonable profits.
(5) WNC has purchased liability insurance for Directors and other key employees.
(6) For more details, please refer to WNC’s CSR report.</td><td></td></tr>
<tr><td>H. Has the company implemented a corporate governance self-assessment, or it has authorized any other professional organization to conduct such an assessment? (If yes, please describe the opinions of the BOD, evaluation results, major deficiencies or suggestions, and improvements.)</td><td>✓</td><td></td><td>WNC has conducted a corporate governance self-assessment for year 2014 based on the regulations of the Taiwan Stock Exchange and published the assessment results in April 2015.
The results indicate that WNC’s performance ranked within the first 20% of all companies.</td><td>None</td></tr>
</table>

3.3.2 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
1. Exercise of Corporate Governance (1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?	✓		(1) In order to conduct effective management and promotion for measures related to corporate governance, ethical corporate management, and corporate social responsibilities, WNC has established the Corporate Social Responsibility Best-Practice Principles, the Corporate Governance Best-Practice Principles, the Ethical Corporate Management Best-Practice Principles, and the Code of Ethical Conduct. Function units of different job responsibilities shall cooperate to implement related measures based on company policies and review the performance every 6 months. Each function unit shall also watch closely for the changes of international initiatives and regulations to examine, in a timely manner, whether related management methods and operations procedures must be modified.	None
(2) Does the company regularly conduct training related to social responsibility?	✓		(2) Besides the new-employee training for introducing internal policies and management methods, WNC also conducts related online or live courses based on the requirements of laws, regulations, customers, and policy implementation. To strengthen employees' understanding of CSR and EICC, in 2014 WNC has also prepared a "WNC CSR & EICC Introduction" online course. All employees are required to complete this training.	
(3) Does the company establish exclusively (or concurrently) dedicated units in charge of proposing and enforcing CSR policy? Does the Board of	✓		(3) Execution of the various CSR policy items is the responsibility of the relevant departments. Through a semi-annual performance-appraisal system, supervisors from each unit must	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
Directors authorize high-level managers to be in charge of related matters and require the managers to report their handling status and results to the Board of Directors?			review the effectiveness of the CSR policy's implementation. Further goals are set as necessary for future development and take effect after approval by the CEO. WNC's Marketing Division is in charge of coordinating the publication of the annual CSR report. The responsibilities of the Board of Directors include examining the economic, environmental, and social aspects of WNC's performance. High-level managers shall report to the Board of Directors on the operations status and other important aspects of WNC to ensure good interaction and communication can be maintained.	
(4) Does the company specify reasonable remuneration policies and associate the employee performance appraisal system to the CSR policies and establish a clear and effective reward and discipline system?	✓		(4) WNC regularly adjusts employee salaries according to current price levels, market supply/demand status, average salary levels in the industry, and local laws/regulations, providing employees with various bonuses and reward systems to ensure reasonable compensation for colleagues as well as to retain and attract talented employees. WNC has implemented its internal regulations in accordance with applicable national laws. Policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, avoidance of conflicts of interest, information security, and public-welfare assistance are all included in the field of corporate compliance. WNC conveys these policies to new employees in their training and to the existing employees, managers, and the Board of Directors. Moreover, all WNC	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			subsidiaries and affiliates are required to follow the same corporate-compliance guidelines. Any violations of the guidelines will directly affect the employee's performance appraisal, and he or she will be punished according to related punishment measures. For details, please refer to the Corporate Governance and Employee Care sections in WNC's Corporate Social Responsibility Report.	
2. Fostering a Sustainable Environment (1) Does the company endeavor to utilize all resources efficiently and use renewable materials which have a low impact on the environment? (2) Does the company establish appropriate environmental-management systems based on the characteristics of different industries?	✓ ✓		(1) WNC cooperates with its suppliers to achieve international environmental standards and provide its customers with green products that are energy-efficient, toxin-free or of low toxicity, produce low amounts of emissions, and have design and production services aimed at recyclability and renewability as well as having less impact on the environment. With product LCA (life cycle assessment) principles at the forefront, WNC identifies eco-design parameters such as hazardous-substance restrictions, energy efficiency, recycling and reuse, and environmental-information disclosure. Meanwhile, WNC raises supplier-side requirements to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC. (2) WNC devotes close attention to environmental protection and its accompanying trends. In addition to complying with all local environmental-protection laws and regulations, WNC also proactively fulfills customer needs to jointly implement	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			environmental-management systems and green-product management systems with its suppliers. The WNC Taiwan headquarters and all its China sites have all obtained ISO 14001 certification and regularly conduct internal audits and third-party examinations every year to ensure all ISO 14001 standards and environmental regulations are properly followed.	
(3) Does the company monitor the impact of climate change on its operations, conduct a greenhouse-gas inventory, and establish strategies for energy conservation and carbon and greenhouse-gas reduction?	✓		(3) In addition to improving the energy-usage efficiency of products through enhanced product design, R&D, and manufacturing processes, WNC continues to implement energy-saving and carbon-reducing concepts and activities in its work environment. The greenhouse-gas inventory and certification are also undertaken according to the specified plans and phases. For details, please refer to the Environmental Protection section in WNC's Corporate Social Responsibility Report.	
3. Maintaining Social Welfare (1) Does the company specify related management policies and procedures based on related laws/regulations and international human-rights conventions?	✓		(1) WNC complies with relevant labor laws and regulations, values the international principles respecting basic labor rights, voluntarily follows the spirit of the Electronic Industry Citizenship Coalition's (EICC) Code of Conduct, and plans to expand the EICC's Code of Conduct requirements in its supply chain as a whole. WNC organized a WNC Electronic Industry Code of Conduct Management Committee (WNC EICC Management Committee) in July of 2012 and adopted its own WNC Electronic Industry Code of Conduct. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers.	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	**No**	**Description**	
			For details, please refer to the Corporate Governance section in WNC's Corporate Social Responsibility Report.	
(2) Does the company establish an employee-complaint mechanism and channel and appropriately handle related cases?	✓		(2) WNC has established diverse, open, and transparent communication channels and continues to seek for ways to enhance mutual and real-time communication with employees. A public e-mail has been set up for internal or external personnel to anonymously report any actions that violate company integrity (wnc.integrity@wnc.com.tw). For details, please refer to the Corporate Governance and Employee Care sections in WNC's Corporate Social Responsibility Report.	
(3) Does the company provide a safe and healthy work environment for its employees and organize safety and health training on a regular basis?	✓		(3) WNC has worked proactively to establish a safe and healthy work environment. WNC Taiwan and its subsidiaries in China have obtained OHSAS 18001: 2007 certification. Besides specifying management regulations regarding labor safety and health, WNC also proactively conducts related risk assessments and controls and manages changes to control their impact on safety and health. Internal and external audits are regularly conducted every year for verifying the operating status of the occupational safety and health management system and to ensure it is continuously improving. For details, please refer to the Employee Care section in WNC's Corporate Social Responsibility Report.	
(4) Has the company established a regular communication mechanism and does it use	✓		(4) WNC has established an Employee Representative Committee and an Employee Welfare Committee, both of which regularly convene	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
reasonable methods to inform employees of critical operational changes?			quarterly meetings and publish the meeting minutes after each meeting. In addition to regular communication channels, WNC also conducts an employee satisfaction survey and seminars on a random basis to further ensure a smooth relationship between the management and employees. In response to the different culture in China, each WNC China site has established dedicated hotlines and e-mail addresses to serve as the communication channel for employees' consultation and assistance. For details, please refer to the Employee Care section in WNC's Corporate Social Responsibility Report.	
(5) Does the company establish effective career-development training plans for employees?	✓		(5) WNC values the importance of recruiting fully qualified employees and devotes special attention to improving the skills and general knowledge of colleagues. Based on this concept and the central principle of growth, innovation, and cooperation, employees are provided with job-function enhancement training programs, key competencies enhancement programs, and supervisory and leadership training. For details, please refer to the Employee Care section in WNC's Corporate Social Responsibility Report.	
(6) Does the company specify related consumer-rights-protection policies and complaint procedures relating to aspects including R&D, procurement, production, operations, and service processes?	✓		(6) WNC is an ODM/JDM/OEM manufacturer, and our customers directly address all types of consumer-rights affairs. To raise the level of trust and satisfaction that customers hold for WNC's products, our customer services division has also instituted a customer satisfaction mechanism. Every year a satisfaction survey	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			and analysis is carried out on product quality, technology, delivery, and other service items. Through this customer satisfaction survey, analysis of reasons for dissatisfaction are relayed to related business units for drawing up and execution of plans for improvement and tracking of improvement initiatives.	
(7) Does the company conduct the marketing and indication of products and services based on related laws/regulations and international standards?	✓		(7) WNC chiefly offers product ODM/JDM/OEM services. Product marketing matters are handled by customers while indications on products are also determined by customer requirements. WNC's Quality Assurance Division is responsible for green-product and customer-service matters. It cooperates with each unit of WNC to ensure WNC products are in accordance with customer requirements, environmental regulations, and related international standards during phases from product design, production, to delivery.	
(8) Does the company conduct assessments before starting business with a new supplier to verify whether or not the supplier has any record of its impact on the environment and society?	✓		(8) When selecting a new supplier, in addition to assessment criteria that includes operations management, quality control, and engineering abilities, WNC also requires its suppliers pass an EICC assessment conducted by WNC before it is approved as a qualified supplier. Suppliers cannot obtain approval if there are any unsolved critical issues. When under certain extraordinary circumstances and a new supplier has yet to be approved, they must proceed through a conditional approval process.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
(9) Do the contracts between the company and its major suppliers specify that the contract may be terminated at any time when the suppliers are found violating the company's CSR polices and causing a significant impact on the environment and society?	✓		(9) The WNC Group Supplier's Commitment for Code of Ethics has specified that, if a supplier violates the laws and items of the commitment, WNC may suspend, terminate, or cancel the business with that supplier. Suppliers are also required to pass an EICC assessment conducted by WNC. If the supplier fails to meet required score thresholds, it is required to submit improvement plans and conduct improvement reviews within a specified timeframe. WNC will terminate cooperation with such a supplier if it fails to pass the EICC assessment within the specified timeframe.	
4. Enhancing Information Disclosure (1) Does the company disclose the information related to or has an impact on the company's CSR activities on its company website and the Market Observation Post System?	✓		(1) In addition to uploading the CSR report to the Market Observation Post System, a corporate social responsibility section and a designated e-mail contact have also been created and posted on WNC's website to provide a thorough consultation service. Meanwhile, WNC has also responded to the CDP (Carbon Disclosure Project) and the EcoVadis platform's related surveys to evaluate and disclose WNC's CSR performance and results through impartial third parties.	None
5. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, please describe any discrepancy between the principles and their implementation: To summarize the statements above, there is no notable discrepancy between the measures' implementation and WNC's corporate social responsibility principles.				

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
6. Other important information to facilitate a better understanding of the Company's corporate social responsibility practices: For detailed information, please refer to WNC's CSR report or the CSR page of WNC's website: http://www.wnc.com.tw/index.php?action=about&cid=2.				
7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below: WNC's 2014 CSR report is compiled based on the Sustainability Reporting Guidelines, Version 4 (herein referred to as the "GRI G4") published by the Global Reporting Initiative (GRI). The report has been inspected by an independent third party, SGS Taiwan Limited, based on AA1000 standards and GRI G4 requirements and has been verified that the report meets the requirements of GRI G4 Core option and AA1000 Assurance Standard type 1, moderate level.				

4. Overview of Business Operations

4.1 Business Content

I. Business Scope

1. Main Business Services

CC01060 Wired communication equipment and apparatus manufacturing
CC01070 Wireless communication devices and equipment manufacturing
CC01101 Restricted telecommunication radio frequency equipment and materials manufacturing
CC01080 Electronic parts and components manufacturing
F401021 Restricted telecommunication radio frequency equipment and materials import business
F401010 International trade business
F401030 Manufacturing and exporting business
F401041 Manufacturing and exporting business
Research, development, manufacturing, and sales of products as below:
(1) Satellite communications product series
(2) Mobile and portable communications product series
Import/export business of products in the categories above

2. Revenue Distribution

Revenue Distribution of Products in Categories

Unit: Thousand NT$

Year / Item	2014	
	Amount	**Percentage (%)**
Wireless communications products	38,993,587	96.69
Other	1,333,331	3.31
Total	40,326,918	100.00

3. Current products

(1) Satellite communications product series

A. DTH TV dish antenna systems
B. Single cable multi-output outdoor receiver systems and derivative products
C. Satellite digital signal convertors
D. Digital Satellite Radio receiver systems
E. Digital HD Radio receiver systems

(2) Mobile and portable communications product series

A. 3G/4G wireless network communications equipment and modules
B. 4G indoor and outdoor broadband network terminal devices
C. Embedded antennas for mobile devices
D. RFID product series
E. Coaxial cable (MoCA) and power-line-communication (PLC) adapters
F. Digital-home networking and energy-management products
G. Automotive 3G/Wi-Fi modules

H. Household/Enterprise wireless routers
I. NFC antennas and modules

(3) Other wireless products
A. Automotive safety radars

4. New products under development

(1) Satellite communications product series
Plate-type satellite receiving antenna systems

(2) Mobile and portable communications product series
IoT sensors and communication modules
High-speed server-level network switches
Biometric mobile-device modules

II. Industry Overview

1. Industry Development Trends and Current Market Status

WNC has concentrated its attention on wireless technology in a range of frequency bands for many years and has become experienced in designing antennas which are very critical for the performance of wireless communications devices. The urgent market demand for high bandwidths has boosted a new wave of sales, and some examples of this trend will be described in the following section.

(1) With regard to satellite-TV markets, North America and Western Europe once dominated global DTH (Direct-to-Home) satellite-TV service market share; the World Cup in 2014 drove the rapid growth of DTH satellite-TV service market shares in new markets such as Asia and South America, and these two emerging regions are seen as having the highest growth potential. In the North American market, the total number of pay-TV users was maintained at approx. 100 million, and DTH subscribers have exceeded 34 million. Driven by the pursuit of 4K HD programs bundled with networking services, network operators in Europe and the U.S. have proactively introduced a wide variety of new services to stimulate the demand for replacing out-of-date equipment. However, the number of DTH subscribers in Asia has almost caught up with that of North America, with increasing demand for related devices. The overall DTH market in Asia is maintaining a continuous growth rate. In the Latin American market, Brazil has exhibited a steady growth rate of users. With the benefit of no-hassle connecting cables, the DTH platform has kept its position as the most popular platform with the fastest-growing number of users; Africa and South America also have a high potential for DTH platform growth due to their similar geographical characteristics, and we think highly of their key market opportunities and performance in the future.

(2) In the satellite broadcast market, SiriusXM performed steadily in 2014 since auto sales in North America have returned to their peaks achieved before 2008 and occupied nearly 70% of the pre-assembly market share. Following trends in mobile broadband, SiriusXM has actively developed new services with IP broadcasting functions and personalized features to respond to developments in global markets and to continuously integrate 4G technologies and telematics services to diversify its business scope and drive demand for various integrated receiver products. This technology can also extend to other related automotive telematics products to broaden the business scope.

(3) Regarding the wireless WAN market, smartphones are gradually moving to a growth plateau period after years of strong development. Total smartphone shipments in 2014

reached Digitimes' estimate of 1.2 billion units. Operators are also actively promoting 4G services and thus offer users various mobile broadband devices such as mobile network hotspots and household mobile broadband routers to drive the market; versatile applications also place heavy demand on broadband resources necessitating urgent technology upgrades like carrier aggregation and the update of terminal devices. As a whole, the growth and influence of the extremely broad mobile-communications market is still vigorous and can still be expected to propel the development of all wireless communications manufacturers.

(4) Wi-Fi is now a required feature of smartphones and tablets for consumers. As a result, network operators have begun providing Wi-Fi services and more diversified Internet-access methods for customers while strengthening their connection quality; rising demands for mobile audio and video services also drive Wi-Fi technology upgrades. In 2014, IEEE 802.11ac products have become mainstream telecommunications products, with smart mobile devices also actively adopting IEEE 802.11ac technology. Wireless-network technology eras with milestones set at the Gb-level are coming. As for other CE terminal products, MIC has predicted that digital cameras with Wi-Fi functionality will occupy a 40% penetration rate in 2016, while Wi-Fi TV will also have a penetration rate of 40%. Terminal devices in a home network, such as SOHO routers, currently are almost 100% Wi-Fi–compatible. Others, such as cable modems and DSL CPEs, also have a higher Wi-Fi capability rate because more network operators provide Wi-Fi services. This trend is especially noticeable in cable modems, with Wi-Fi capability rates dramatically increasing from 37.5% in 2011 to over 70% in 2014. The Wi-Fi capability rates for Cable Modems and DSL CPEs continue to grow and are expected to increase to 86% and 95%, respectively, in 2016. We believe this trend, supported by the statistics above, point towards an optimistic future for the WLAN market.

2. Industry Value Chain

The electronics industry has always been characterized by its long supply chain, numerous components, and complex cooperative-competitive partnerships. Coinciding with the integration of a variety of product categories and diversified operational strategies, members within the industry value chain have steadily increased. Recent trends demonstrate that the boundary between specialized divisions and vertical integration is becoming blurred along with increasing product complexity.

Key Components	System Components	Design & Manufacturing	System Integration	Marketing Channels
Baseband	Housing	R & D	Head-end	Branding
RF	Antenna	Assembly	Platform	Operators
LCM	OS	QC	IoT	Retailers
Memory	Codec			Logistics

3. Product Development Trends

(1) Digital home applications in full development

In recent years, with the active promotion of operators in TV, telecommunications, and Internet video markets, IP video services and integration of the mobile device and television has become a dominant subject in marketing. Examples such as interaction and multi-screen services have brought new opportunities for digital-home AV applications and equipment. Additionally, home security and intelligent control also become the next critical targets for operators and equipment suppliers in digital-home applications. Security-service providers, broadband service operators, and TV operators in North America are now deploying such services aggressively with related applications and more and more differentiated wireless communication technologies, including Thread, Dash7, and updated Bluetooth. These technologies provide users with versatile surveillance and automated household appliances. Along with the use of mature broadband and mobile devices, overall user experiences are becoming more complete and convenient. With strong communication technologies in various wireless-network applications, WNC is capable of utilizing its high flexibility in manufacturing to grow our capabilities together with customer trends.

(2) New satellite product development trends

Satellite broadcasting is characterized by long distances, huge bandwidths, and wide coverage, and is well-suited for sending signals and detecting high-speed objects. Under the influence and competitive pressure of these rapidly growing network broadcasting technologies, new products have been developed for satellite broadcasting applications (such as IP LNB and IP convertors) to meet customer expectations for bidirectional interactive videos. WNC has focused on the satellite field for many years and has a deep understanding of wireless high-frequency communication and customer operation modes; additionally, our company can also assist satellite service operators to meet new network video challenges with the integration of other wireless multimedia technologies.

(3) A more versatile mobile computing market driven by wireless broadband

In recent years, mobile broadband application market demands have increased dramatically with the development of cell phone chip technology and input interfaces, enhancements in 4G mobile broadband technology, and the appearance of multiple-application services and platforms; various ingenious mobile devices and applications used in industrial environments and infrastructure are gradually gaining new opportunities for the IoT in the market depending on wireless broadband and the open software platforms. WNC has a deep level of product development experience in handheld devices, including antenna design, system integration, software development, and user-interface design and can provide customers with one-stop-shop services. Under this trend, WNC will continue to press forward with its software development to create the greatest value for our customers.

(4) Small-cell growth driven by wireless broadband demands

Fourth-generation mobile broadband technology (4G) was officially commercialized in 2010, popularized in 2011 and 2012, and experienced explosive growth globally in 2013. In 2014, 4G has become the mainstream technology for mobile data services worldwide; mobile broadband has entered an era of competition with household broadband and is progressively moving toward the 1 Gbps mark with the 5G format. Telecom operators all over the world are actively committing to 4G deployments and have continued investing in this area for new applications. Nevertheless, 4G deployment costs are gradually increasing and has become a heavy burden on operations. Operators have thus turned to new marketing opportunities for small cells and multiple network technologies with accurate grid configuration—which is a perfect blend of lowering deployment costs while ensuring network quality—to avoid the cost-recovery challenges associated with the 3G era while offering better mobile network experiences for their subscribers. In line with this opportunity, WNC is seeking to leverage its professional antenna design capacity to provide high-quality networks to operators. With in-depth cooperation with chip manufacturers, WNC is able to provide customers with one-stop-shop solutions and can see great potential in staking out a key position in this emerging market.

III. Technology Research and Development

1. Research & development expenditures during the last fiscal year and the current fiscal year up to March 31, 2015.

Unit: Thousand NT$

Year	2014	Up to Mar. 31, 2015
R&D expenditures	1,646,923	454,869
Percentage of total revenue	4.08%	3.95%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or Product
2014	A. Satellite digital signal convertors B. Digital satellite signal LNBFs

(2) Mobile and portable communications product series

Year	Technology or Product
2014	A. 4G broadband integrated access devices B. IEEE 802.11ac routers C. Advanced Smart TV STBs D. Wireless home AV transmitters E. 3G/4G small-cell equipment

(3) Other wireless products

Year	Technology or Product
2014	A. Multiple network integration IoT routers B. IP video surveillance terminals

IV. Long-Term and Short-Term Business Development Plans

1. Short-term business development plans

(1) Marketing Strategy

Focusing on technology-oriented ODM services, WNC sets short-term goals to fully understand and cooperate with all major system operators, channel operators and branding companies in corresponding sales regions, and improve its interaction with distributors, aiming to establish integrated marketing channels.

(2) Operations Management

A. Sustained technology development

WNC is built on its professional management team with many years of technological experience. In addition to continuous improvement in the quality of current products, WNC will continue developing products with higher transmission rates and richer functionality to respond to market demands.

B. Improving production capacity and manufacturing capability

In coordination with business expansion and new product development schedules of the company, WNC plans to consolidate and make full use of existing production capacity to actively improve its manufacturing capability and lower costs. It aims to turn its manufacturing strength into the core competency that can create profits.

2. Long-term business development plans

(1) Marketing strategy

WNC plans long-term marketing strategies to strengthen current customer relationships and broaden the market share of products. In addition, WNC emphasizes interaction and communication with its customers. WNC's aim is to meet customer demands through effective communication to provide the right product for the right market and proactively develop products for niche markets and the special demands of future markets.

(2) Operation Management

A. Implementing Internal Control Systems

WNC's operations management planning process involves establishing complete management measures and effectively implementing internal control systems, confirming that all areas of operations achieve their goals with efficiency and favorable outcomes. It also involves releasing reliable financial reports and complying with corresponding laws and regulations. By undertaking all of these actions, WNC aims to ensure the profit levels, performance standards, and asset security of the company.

B. Enhance Product Research and Development

With deep understanding of every change in both markets and technologies, development of niche products that feature high profits and growth rates are possible. WNC continues to invest in research and development to grasp key component technologies with the aim of achieving the highest level of consumer satisfaction and product profit levels.

C. Proactively Establishing Economies of Scale

Proactively develop new customers and product lines to realize the effects of economies of scale. With production capacity expansion and manufacturing capability enhancement, WNC aims to lower manufacturing costs and improve overall competency as well as obtain reasonable growth of both business scale and business profits.

(3) Operational Scale in Cooperation with Financial Policy

A. Establish and integrate domestic and overseas productivity according to operational needs.

B. Enhance asset and liability management capability, maintain reasonable cash conversion cycles, and provide a healthy financial structure.

4.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2013 Amount	2013 Percentage of Revenue	2014 Amount	2014 Percentage of Revenue
Export Sales	Americas	17,882,221	48.79%	18,708,940	46.39%
	Asia	10,352,912	28.25%	12,350,847	30.63%
	Europe	5,231,806	14.27%	5,418,303	13.43%
	Others	254,676	0.69%	179,742	0.45%
	Total	33,721,615	92.00%	36,657,832	90.90%
Domestic Sales		2,932,046	8.00%	3,669,086	9.10%

2. Market share

WNC maintains its role as a global leader in the world's satellite communication and embedded notebook antenna domain. In the LNB market for direct broadcast satellite services, WNC has gained the trust and recognition of global satellite operators and distributors and understands trends in international technologies among leading competitors. This has led us to develop high-frequency Ka-band ODUs (outdoor units) and single-cable LNBs for signal receiving from multiple satellites. Although facing price competition from competitors, WNC still delivers remarkable performance in the marketplace and has maintained a steady growth rate.

In the embedded notebook antenna market, WNC is renowned for its specialized capabilities in notebook antenna design and for obtaining the trust of its customers. Our abilities in the design and manufacturing of LDS antennas can assist customers designing size-critical products. It has also become a primary supplier of leading smartphone brands. WNC is expected to maintain a high growth rate as a result of recent trends in multi-network integration.

3. Future market status and growth potential

(1) Satellite communications product series
In recent years, high-definition satellite TV services have been heavily promoted in mature satellite TV markets in both the U.S. and Europe, as well as in emerging markets in Asia and South America. DIRECTV, a U.S. company, emphasizes its portfolio of more than 195 channels of HD programming. Upgrading of services stimulates demand for HD receiving equipment as well as replacement of out-of-date receiving devices. In addition, many countries have started to recall frequency bands originally utilized by analog TV. These actions encourage former users to turn to new services, ultimately bringing benefits to satellite markets. The rapid growth of the Asian and South American markets together with strong demand for high-quality satellite receiving equipment at a low price and the strong demand for IP satellite receivers suggest that the entire DTH market will develop in a virtuous cycle through the near future.

(2) Mobile and portable communications product series
In 2014, the market for mobile devices including smartphones and tablets has continued to

grow. Nevertheless, integration of more versatile wireless technologies has driven growth in demand for mobile-phone antennas and other communication modules; with the decreasing cost of mobile broadband and in the face of the next few years' trend of strong growth in smartphones, the integration of cross-industry product services centering on software will become more and more important. For example, applications that use high-speed mobile networks to transfer driving data and vehicle operation information to a cloud server and then synchronizing that information to handheld devices for users to assess their vehicle state in real-time. Other examples are applications that integrate multiple communication technologies to more precisely obtain information on electricity usage to improve the efficiency of the smart grid and on new opportunities in vertical markets. These are all great opportunities for future IoT markets.

A variety of network applications have also clearly demonstrated the concept of the digital home. From STB, NAS, IP Radio, IAD (Integrated Access Devices), to traditional home appliances—many devices have begun adding Internet connectivity and functionality. Boundaries between consumer electronic products are becoming increasingly blurred, while the trend of sharing and integrating platforms has become more obvious. For telecom operators, the key to entering the digital home market lies in how to plan a quadruple-play marketing and sales strategy for the "four screens" (television, computer, mobile phone, and tablet PC) and find suitable value propositions in the complex competition between software platforms and communication technologies.

4. Competitive Advantages

(1) Competitive Advantages of WNC

A. Professional management team

The management team at WNC has accumulated many years of experience and management capability in the communications field enabling us to fully understand market changes. The management team leads all functional teams to create, practice, and continuously to enhance our competitive advantages. The management team at WNC leads the company toward its customer satisfaction goals through the company's culture of fundamentals advocacy, teamwork cohesion, customer focus, and value creation.

B. Complete product technical solutions

WNC applies its fundamental strengths in antenna and RF design capabilities. Those strengths are focused in the broadband, multimedia, and wireless domains and in the development of a full range of short-, medium-, and long-distance communications products. WNC has rich experience in microwave communications, digital wireless communications, antenna design, software engineering, and multimedia integration development. Through its outstanding research and development capabilities and in-depth cooperation with global industries, WNC not only provides multi-product solutions but also is able to provide complete technical services including product conception, design, verification, production, and logistics.

C. Comprehensive quality management systems

WNC devotes itself to product quality management. It not only has earned international certifications such as ISO 9001, ISO 14001, ISO 14064, ISO/TS 16949, IECQ QC 080000, OHSAS 18001, ANSI/ESD S20.20, TL 9000, and ISO/IEC 27001, but also continues to implement Six Sigma and Business Process Improvement (BPI) projects in order to provide the highest quality products and services to our customers. WNC also established a complete customer advisory system and after-sales service to enhance customer satisfaction and maintain long-term partnerships.

D. Lean cost control mechanism

The number of satellite communication and mobile communication applications and market sizes is continuously growing, and WNC is always able to maintain the advantage by keeping competitive economies of scale. In addition to its lean cost-control mechanism, WNC not only assures the company’s steady profit-making capabilities but also continuously enhances the company’s total operational performances.

5. Future development factors and strategies in response

(1) Favorable factors:

A. Growth of the digital broadcast industry

With the advent of the digital age, rapid and flexible digital communications are a reality. Subscribers to the primary satellite radio service provider (SiriusXM) in the U.S., which is the entire American market, is experiencing steady growth. In addition, SiriusXM has achieved a service penetration in different communication media formats to meet IP-based streaming trends and increased service value through advanced applications of information communications and technology to enhance user loyalty. Overall, SiriusXM still retains an irreplaceable role in the automobile and mobile broadcasting market.

In the field of digital TV, mature markets in Europe and the U.S. have generated many innovative services due to fierce competition between pay-TV platforms and new OTT video services and the penetration of Internet applications. For example, many pay-TV service operators in the U.S. have announced new functions such as multi-room systems and integration with OTT services. However, emerging markets have begun switching from analog to digital formats with government encouragement. One example is the rapid establishment of DTH platform satellite services: Markets such as India and LatinAmerica have been undergoing significant growth. In general, the demand for compound video products and basic receiving equipment has continued to increase in both mature and emerging markets.

B. The wireless communications era is here.

Coinciding with the liberalization of global telecommunications and vigorous development of mobile communications and the Internet, the communications industry has seen rapid growth. The entire communications industry has great development potential, while wireless communication is expected to be a component in the inevitable trend of future development. All of these factors will positively influence WNC’ s business operations.

C. Trends in highly integrated networks and mobile devices

In the trend toward integration of wired and wireless broadband networks to meet user demand for wireless and mobile services, new services are created. For instance, in addition to mobile broadband services, quadruple-play services, which offer voice, video, data, and mobile services through IP networks, are undergoing rapid development based on wired broadband. All of these services will stimulate a new round of network infrastructure and terminal device upgrades.

(2) Unfavorable factors:

A. Domestic software talent shortage

Having focused on providing high-efficiency production and manufacturing services in the past, Taiwan has a strong foundation in hardware-related technologies and logistics systems. However, with the rise of the Internet network era and rapid development of emerging network applications, the lack of controls in the software industry has revealed a competitive disadvantage for domestic companies in comparison to overseas brands.

Response measures:
The integration of platforms and services is expected to bring about excellent growth potential. In addition, boundaries between countries will have no effect on development since the global village we live in is increasingly interconnected by high-speed networks. Companies in Taiwan can acquire more external software development resources due to the economic recessions in the West and thus enhance software development capabilities for consumer electronics products.

B. Operational costs have increased

The labor costs in mainland China are rising continuously due to local regulations, and it has placed great pressure on the entire manufacturing industry regarding the cost of materials and manufacturing. In 2014, the currency exchange rates in Japan and Europe fluctuated dramatically, and they had considerable effects on the global economy and industrial operations. Although the U.S. has recovered to steady growth, global political risks and uncertainties still exist, which may or may not have a direct or indirect influence on the operations and profit-earning ability of the company.

Response measures:
Maintain flexible marketing strategies with rapid product integration development capability. Match the right product to the right niche market while responding to market demand. Take measures to pursue maximum profits, expand the scope of operations, and lower manufacturing costs.

C. Exchange-rate fluctuations influence company profits

Since WNC is mainly focused on export sales of products, changes in exchange rates can affect the profitability of the company.

Response measures:
The finance units must focus on changes in exchange rates and the demand for capital at all times and take all necessary measures to ensure risk mitigation.

II. Primary Applications of Major Products and Production Processes

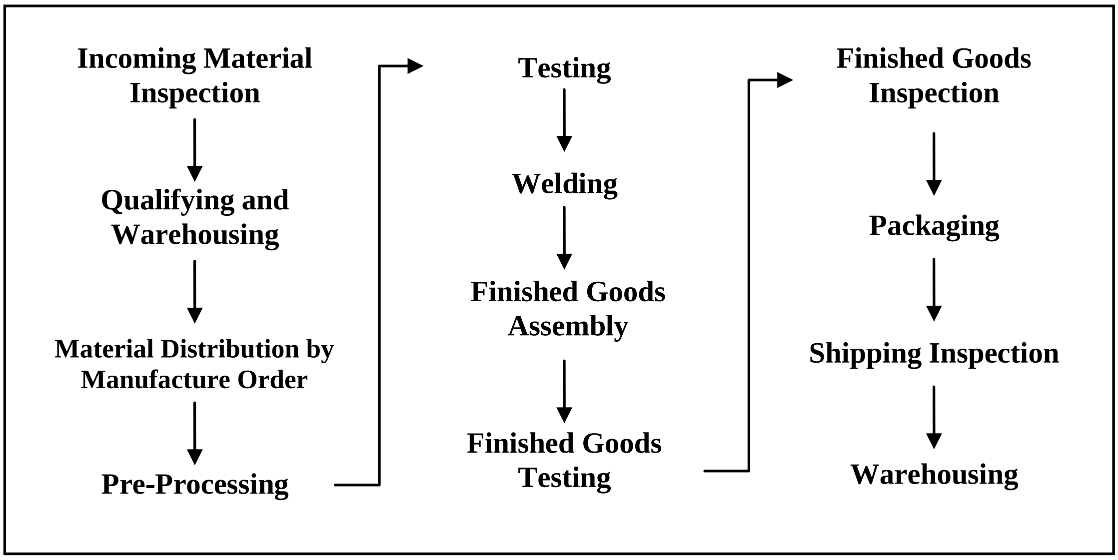
1. Primary Applications

	Satellite Communications Product Series	**Mobile and Portable Communications Product Series**
Functions and Features of Products	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide any form of wireless communication services without geographical limits. Satellite communications	<u>WLAN Networks:</u> The GSM protocol for WAN wireless communications formulated by the CEPT (European Conference of Postal and Telecommunications Administrations) in 1982 has now been widely accepted by the global telecom market and has gradually adopted advanced standards with higher bandwidths, wider coverage, and low power consumption. It

	Satellite Communications Product Series	Mobile and Portable Communications Product Series
	offer high quality and large capacity and utilize microwave bands and re-utilize all other frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	has evolved from the 2G and 2.5G standards (which focused on voice communication) into the HSPA protocol that focuses on material services. Moreover, the latest 4G standards including WiMAX and LTE which utilize OFDM technologies were developed from 2008 to 2010. With the increasing deployment of LTE and LTE-A by operators, the worldwide mobile network is entering a new era of high-speed mobile broadband and has started the development of related markets. <u>Broadband Networks:</u> To enable interoperability between different WLAN solutions and create a unified standard for communications between wireless and wired transmission, the IEEE (Institute of Electrical and Electronics Engineers) has defined the IEEE 802.11 standards for wireless LAN. As for middle- and long-distance wireless communications within 30 meters to 300 meters, any devices complying with IEEE 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with IEEE 802.11 standards.
Main Applications	Are mainly applied to satellite TV, satellite broadcasting, and digital broadcasting services. They are utilized in areas that lack telecom services or across vast areas of land while providing diversified sources of information.	<u>WLAN Networks:</u> The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of the 3G and 4G high-bandwidth technologies described above, the mobile broadband market and related industries is expected to develop at a rapid pace. The development will not only bring improved user experiences in mobile wireless broadband, but may also form a new industry structure and generate competition among highly integrated terminal devices, revolutionizing the entire telecom industry. <u>Broadband Networks (IEEE 802.11X):</u> The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on IEEE 802.11 standards. IEEE 802.11 standards support long transmission distances and high data rates. At present, products conforming to IEEE 802.11a/b/g/n/ac have a data rate of 1 Gbps and a range of 30 meters to 300 meters. Therefore, WLAN products are usually applied in larger environments where

	Satellite Communications Product Series	Mobile and Portable Communications Product Series
		wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For instance, in-home and public-area networks and enterprise applications can cover markets such as homes, enterprises, logistics, and medical care. Currently, WLAN applications are integrated with multimedia functionality and have become a trend in the wireless digital-home network market.

2. Production Process



III. Supply/Demand Status of Major Raw Materials and Components

The primary raw materials and components of WNC comprise items such as integrated circuits, storage devices, LCDs, filters, chipsets, connection cables and connectors, mechanical components, dish antennas, and PCBs. WNC maintains business relations with at least two and sometimes more suppliers for each type of raw material or component, and, once vendors are qualified, maintains stable and favorable relationships with them.
In addition to fully controlling the integrity of incoming raw materials and components, WNC has strict requirements regarding the source of materials, quality, and delivery to ensure that there are no issues during the supply of raw materials and components.

IV. Key Accounts During the Most Recent Two Years

1. Key Buyers

Unit: Thousand NT$

	2013				2014				Up to Mar. 31, 2015			
	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC
1	Customer D	7,480,616	20	-	Customer D	6,067,929	15	-	Customer D	1,384,766	12	-
2	Others	29,173,045	80	-	Others	34,258,989	85	-	Others	10,127,337	88	-
	Total	36,653,661	100	-	Total	40,326,918	100	-	Total	11,512,103	100	-

*Note: A code can be used to represent a customer that is subject to non-disclosure provisions in a contract or represent an individual party with whom WNC performs transactions while that party is not a related party of WNC.

2. Key Suppliers: None

V. Production Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2013			2014		
	Capacity	**Quantity**	**Value**	**Capacity**	**Quantity**	**Value**
Wireless Communications Products	312,590,000	306,651,668	31,284,258	307,100,000	301,680,919	36,985,404
Others	0	0	0	0	0	0
Total	312,590,000	306,651,668	31,284,258	307,100,000	301,680,919	36,985,404

VI. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2013				2014			
	Domestic		**Export**		**Domestic**		**Export**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Wireless Communications Products	21,273,134	2,394,753	218,423,691	33,106,543	30,496,395	3,026,309	205,687,188	35,967,278
Others	0	537,293	0	615,072	0	642,777	0	690,554
Total	21,273,134	2,932,046	218,423,691	33,721,615	30,496,395	3,669,086	205,687,188	36,657,832

4.3 Employee Data During the Most Recent Two Years

Year		2013	2014	As of Mar. 31, 2015
Number of Employees	Sales	226	250	265
	R&D	775	790	822
	Manufacturing	958	1002	1055
	Administration	574	604	542
	Direct Labor	6465	7729	8221
Total		8998	10375	10905
Average Age		26.56	27.05	27.59
Average Years of Service		2.06	1.88	1.81
Education	PhD	0.32%	0.32%	0.30%
	Master's	7.42%	7.02%	6.92%
	Bachelor's	20.70%	19.81%	19.06%
	Others	71.56%	72.85%	73.72%

4.4 Environmental Protection Measures

1. WNC's business belongs to a technology-intensive industry of research and development. Since our manufacturing processes only include SMT (Surface Mount Technology), precision assembly, testing, and R&D; pollutants such as waste gases, waste water, undesirable noise, or toxic substances, are rarely generated. In terms of waste gases, WNC is not in an industry that is regulated by the EPA, but to reduce our environmental impact, WNC integrates air-pollution control equipment in our operations for the treatment of exhaust gases and monitors the concentration of exhaust gases on a regular basis. The results are in compliance with regulatory requirements. As for the disposal of waste materials, WNC invites only specialist operators recognized by Taiwan's EPA and makes related declarations online as required to ensure that no environmental contamination occurs. WNC implements all applicable pollution prevention tasks in a positive feedback cycle under its well-prepared management system and regularly inspects its waste treatment plant to ensure its proper operation. Furthermore, it continuously carries out a systematic operational management scheme to improve environmental health and safety and has received ISO 14001 Environmental Management System certification.
2. Total losses (including compensation) and fines for environmental pollution in the two most recent fiscal years including the current fiscal year up to the date of printing of the annual report: WNC did not/does not have any environmental pollution issues. Therefore, there were no fines or losses incurred.
3. Explanations of measures and possible disbursements to be made in the future: None

5. Financial Standing

5.1 Most Recent Five-Year Concise Financial Information

5.1.1 Financial Information Based on IFRSs: Consolidated

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period (Note)		Most Recent Five-Year Financial Information					Financial Information as of Mar. 31, 2015
		2010	2011	2012	2013	2014	
Current assets		-	-	15,251,582	16,797,438	17,821,608	18,477,874
Property, plant, and equipment		-	-	4,762,197	4,669,660	5,232,640	5,253,418
Intangible assets		-	-	54,114	56,858	59,682	51,564
Other assets		-	-	743,314	746,274	715,505	828,217
Total assets		-	-	20,811,207	22,270,230	23,829,435	24,611,073
Current liabilities	Before distribution	-	-	9,576,983	11,338,995	12,115,123	12,467,443
	After distribution	-	-	10,246,251	12,304,299	Note 1	Note 1
Non-current liabilities		-	-	1,785,748	408,630	478,814	466,980
Total liabilities	Before distribution	-	-	11,362,731	11,747,625	12,593,937	12,934,423
	After distribution	-	-	12,031,999	12,712,929	Note 1	Note 1
Equity attributable to parent's shareholders		-	-	9,448,476	10,522,605	11,235,498	11,676,650
Common stock		-	-	3,045,415	3,225,014	3,287,634	3,287,634
Capital surplus		-	-	2,051,579	2,212,882	2,369,650	2,369,650
Retained earnings	Before distribution	-	-	4,422,251	5,173,321	5,515,923	5,977,421
	After distribution	-	-	3,661,719	4,143,663	Note 1	Note 1
Other equity		-	-	(70,769)	(88,612)	62,291	41,945
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Equity	Before distribution	-	-	9,448,476	10,522,605	11,235,498	11,676,650
	After distribution	-	-	8,779,208	9,557,301	Note 1	Note 1

Source: Consolidated financial statements audited by a CPA; financial information as of the end of first quarter 2015, reviewed and approved by a CPA

Note: Financial data calculated according to IFRS standards for less than 5 years

Note 1: The resolution for earnings distribution for Year 2014 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Consolidated Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Period (Note)	Most Recent Five-Year Financial Information					Financial Information as of Mar. 31, 2015
	2010	2011	2012	2013	2014	
Operating revenues	-	-	34,434,519	36,653,661	40,326,918	11,512,103
Gross profit	-	-	4,655,244	5,191,044	5,420,254	1,618,982
Operating income	-	-	1,483,719	1,783,136	1,708,627	584,769
Non-operating income and expenses	-	-	(51,348)	176,967	71,562	695
Profit before tax	-	-	1,432,371	1,960,103	1,780,189	585,464
Continuing operations' profit for the period	-	-	1,109,748	1,518,331	1,376,388	461,498
Losses from discontinued operations	-	-	-	-	-	-
Profit (loss)	-	-	1,109,748	1,518,331	1,376,388	461,498
Other comprehensive income for the period (net after-tax)	-	-	(68,058)	167,222	144,625	(48,440)
Total comprehensive income for the period	-	-	1,041,690	1,685,553	1,521,013	413,058
Profit to parent's shareholders	-	-	1,109,748	1,518,331	1,376,388	461,498
Profit to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	-	1,041,690	1,685,553	1,521,013	413,058
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS (NT$)	-	-	3.66	4.84	4.28	1.43

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2015, reviewed and approved by a CPA

Note: Financial data calculated according to IFRS standards for less than 5 years

5.1.2 Financial Information Based on IFRSs: Independent

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Period (Note)		Most Recent Five-Year Financial Information				
		2010	2011	2012	2013	2014
Current assets		-	-	11,725,594	13,108,459	13,605,463
Property, plant, and equipment		-	-	1,880,146	1,858,562	2,291,171
Intangible assets		-	-	51,940	54,937	59,345
Other assets		-	-	4,205,475	4,625,107	5,484,430
Total assets		-	-	17,863,155	19,647,065	21,440,409
Current liabilities	Before distribution	-	-	6,628,931	8,715,835	9,726,097
	After distribution	-	-	7,298,199	9,681,139	Note 1
Non-current liabilities		-	-	1,785,748	408,625	478,814
Total liabilities	Before distribution	-	-	8,414,679	9,124,460	10,204,911
	After distribution	-	-	9,083,947	10,089,764	Note 1
Equity attributable to parent's shareholders		-	-	-	-	-
Common stock		-	-	3,045,415	3,225,014	3,287,634
Capital surplus		-	-	2,051,579	2,212,882	2,369,650
Retained earnings	Before distribution	-	-	4,422,251	5,173,321	5,515,923
	After distribution	-	-	3,661,719	4,143,663	Note 1
Other equity		-	-	(70,769)	(88,612)	62,291
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Equity	Before distribution	-	-	9,448,476	10,522,605	11,235,498
	After distribution	-	-	8,779,208	9,557,301	Note 1

Source: Independent financial statements audited by a CPA
Note: Financial data calculated according to IFRS standards for less than 5 years
Note 1: The resolution for earnings distribution for Year 2014 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Independent Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Period (Note)	Most Recent Five-Year Financial Information				
	2010	2011	2012	2013	2014
Operating revenues	-	-	32,103,091	35,177,877	39,114,287
Gross profit	-	-	3,787,372	4,130,342	4,346,696
Operating income	-	-	1,351,114	1,473,202	1,384,525
Non-operating income and expenses	-	-	22,844	391,666	300,744
Profit before tax	-	-	1,373,958	1,864,868	1,685,269
Continuing operations' profit for the period	-	-	1,109,748	1,518,331	1,376,388
Losses from discontinued operations	-	-	-	-	-
Profit (loss)	-	-	1,109,748	1,518,331	1,376,388
Other comprehensive income for the period (net after-tax)	-	-	(68,058)	167,222	144,625
Total comprehensive income for the period	-	-	1,041,690	1,685,553	1,521,013
Profit to parent's shareholders	-	-	1,109,748	1,518,331	1,376,388
Profit to non-controlling interests	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	-	1,041,690	1,685,553	1,521,013
Total comprehensive income to non-controlling interests	-	-	-	-	-
EPS (NT$)	-	-	3.66	4.84	4.28

Source: Independent financial statements audited by a CPA
Note: Financial data calculated according to IFRS standards for less than 5 years

5.1.3 Financial Information Based on Financial Accounting Standards in Taiwan: Consolidated

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information 2009	2010	2011	2012
Current assets		9,323,674	13,278,907	16,496,797	15,305,884
Fund and long-term equity investments		126,211	181,409	196,823	201,779
Net property, plant, and equipment		3,396,891	4,277,877	4,497,824	4,457,945
Intangible assets		101,507	112,651	125,913	129,530
Other assets		271,989	350,427	693,023	671,633
Total assets		13,220,272	18,201,271	22,010,380	20,766,771
Current liabilities	Before distribution	6,522,929	9,930,126	10,918,274	9,512,061
	After distribution	6,969,576	10,883,251	11,930,303	10,181,329
Corporate bonds payable		0	0	1,434,637	1,460,882
Other liabilities		68,409	146,067	309,073	306,201
Total liabilities	Before distribution	6,591,338	10,076,193	12,661,984	11,279,144
	After distribution	7,037,985	11,029,318	13,674,013	11,948,412
Common stock		2,521,711	2,735,335	2,899,106	3,045,415
Capital surplus		1,491,320	1,727,300	1,954,973	2,051,579
Retained earnings	Before distribution	2,755,180	3,733,448	4,353,702	4,325,357
	After distribution	2,184,464	2,644,162	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		12,614	2,347	4,572	8,314
Translation adjustments and other equity adjustments		62,130	(73,352)	136,043	56,962
Stockholders' equity	Before distribution	6,628,934	8,125,078	9,348,396	9,487,627
	After distribution	6,182,287	7,171,953	8,336,367	8,818,359

Source: Consolidated financial statements audited by a CPA

2. Concise Consolidated Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Period	Most Recent Financial Information			
	2009	2010	2011	2012
Operating revenues	15,903,518	27,338,387	33,982,114	34,434,519
Gross profit	3,072,207	4,738,921	5,286,186	4,681,645
Operating income	1,063,434	1,960,225	2,078,840	1,484,669
Non-operating income	79,119	188,299	247,070	124,569
Non-operating expenses	65,203	149,559	96,788	174,253
Income from continuing operations before income tax	1,077,350	1,998,965	2,229,122	1,434,985
Net income for continuing operations	821,623	1,548,984	1,709,540	1,128,260
Net income	821,623	1,548,984	1,709,540	1,128,260
EPS (NT$)	3.35	5.92	5.98	3.72

Source: Consolidated financial statements audited by a CPA

5.1.4 Financial Information Based on Financial Accounting Standards in Taiwan: Independent

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information 2009	2010	2011	2012
Current assets		7,201,142	10,155,058	12,241,933	11,780,163
Fund and long-term equity investments		1,905,875	2,890,746	3,850,079	3,834,822
Net property, plant, and equipment		1,617,820	2,006,356	2,040,883	1,727,002
Intangible assets		27,541	36,874	42,537	51,940
Other assets		196,385	226,348	204,780	519,462
Total assets		10,948,763	15,315,382	18,380,212	17,913,389
Current liabilities	Before distribution	4,251,420	7,044,237	7,288,106	6,658,679
	After distribution	4,698,067	7,997,362	8,300,135	7,327,947
Corporate bonds payable		0	0	1,434,637	1,460,882
Other liabilities		68,409	146,067	309,073	306,201
Total liabilities	Before distribution	4,319,829	7,190,304	9,031,816	8,425,762
	After distribution	4,766,476	8,143,429	10,043,845	9,095,030
Common stock		2,521,711	2,735,335	2,899,106	3,045,415
Capital surplus		1,491,320	1,727,300	1,954,973	2,051,579
Retained earnings	Before distribution	2,755,180	3,733,448	4,353,702	4,325,357
	After distribution	2,184,464	2,644,162	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		12,614	2,347	4,572	8,314
Translation adjustments and other equity adjustments		62,130	(73,352)	136,043	56,962
Stockholders' equity	Before distribution	6,628,934	8,125,078	9,348,396	9,487,627
	After distribution	6,182,287	7,171,953	8,336,367	8,818,359

Source: Financial statements audited by a CPA

2. Concise Independent Statements of Comprehensive Income

Unit: Thousand NT$

Period / Item	Most Recent Financial Information			
	2009	2010	2011	2012
Operating revenues	13,270,807	25,861,117	31,891,991	32,103,091
Gross profit	2,360,697	3,599,900	3,861,174	3,813,773
Operating income	697,955	1,276,249	1,267,413	1,352,885
Non-operating income	388,080	784,591	870,397	168,440
Non-operating expenses	15,631	148,514	27,267	128,411
Income from continuing operations before income tax	1,070,404	1,912,326	2,110,543	1,392,914
Net income for continuing operations	821,623	1,548,984	1,709,540	1,128,260
Net income	821,623	1,548,984	1,709,540	1,128,260
EPS (NT$)	3.35	5.92	5.98	3.72

Source: Financial statements audited by a CPA

5.1.5 CPA Opinions in the Most Recent Five Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
2010	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unqualified opinion
2011	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unqualified opinion
2012	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion
2013	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion
2014	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion

5.2 Most Recent Five-Year Financial Analysis

5.2.1 Financial Analysis Based on IFRSs: Consolidated

Item	Period (Note)	Most Recent Five-Year Financial Information					For the Year Ending Mar. 31, 2015
		2010	2011	2012	2013	2014	
Financial ratio (%)	Total liabilities to total assets	-	-	54.6	52.75	52.85	52.56
	Long-term debts to property, plant, and equipment	-	-	229.08	225.34	214.72	222.27
Ability to pay off debt (%)	Current ratio	-	-	159.25	148.14	147.10	148.21
	Quick ratio	-	-	123.48	119.82	108.35	102.34
	Interest coverage ratio	-	-	15.22	31.02	36.54	83.09
Ability to operate	A/R turnover (times)	-	-	5.62	6.63	6.18	6.13
	A/R turnover days	-	-	65	55	59	60
	Inventory turnover (times)	-	-	8.16	9.72	9.18	7.99
	Accounts payable turnover (times)	-	-	6.27	6.66	5.48	5.11
	Average days to sell inventory	-	-	45	38	40	46
	Property, plant, and equipment turnover (times)	-	-	7.15	7.77	8.14	8.78
	Total assets turnover (times)	-	-	1.60	1.70	1.75	1.90
Earnings ability	Return on assets (%)	-	-	5.53	7.28	6.14	7.71
	Return on equity (%)	-	-	11.83	15.21	12.65	16.11
	Profit before tax to paid-in capital ratio (%)	-	-	47.14	61.01	54.15	71.23
	Net income ratio (%)	-	-	3.22	4.14	3.41	4.01
	EPS (NT$)	-	-	3.66	4.84	4.28	1.43
Cash flow (%)	Cash flow ratio (%)	-	-	27.86	36.63	11.76	(1.71)
	Cash flow adequacy ratio (%)	-	-	Note	Note	Note	Note
	Cash reinvestment ratio (%)	-	-	11.53	23.37	2.73	(1.22)
Leverage	Operating leverage	-	-	1.66	1.55	1.58	1.47
	Financial leverage	-	-	1.07	1.04	1.03	1.01

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2015, reviewed and approved by a CPA

Note: Financial data calculated according to IFRS standards for less than 5 years

5.2.2 Financial Analysis Based on IFRSs: Independent

Item	Period (Note)	Most Recent 5-Year Financial Information				
		2010	2011	2012	2013	2014
Financial ratio (%)	Total liabilities to total assets	-	-	47.11	46.44	47.60
	Long-term debts to property, plant, and equipment	-	-	580.24	566.17	490.38
Ability to pay off debt (%)	Current ratio	-	-	176.89	150.40	139.89
	Quick ratio	-	-	158.02	139.74	120.58
	Interest coverage ratio	-	-	33.74	44.76	59.64
Ability to operate	A/R turnover (times)	-	-	4.78	5.86	5.88
	A/R turnover days	-	-	76	62	62
	Inventory turnover (times)	-	-	27.85	29.28	26.66
	Accounts payable turnover (times)	-	-	7.09	8.17	6.36
	Average days to sell inventory	-	-	13	12	14
	Property, plant, and equipment turnover (times)	-	-	16.88	18.82	18.85
	Total assets turnover (times)	-	-	1.77	1.88	1.90
Earnings ability	Return on assets (%)	-	-	6.32	8.28	6.81
	Return on equity (%)	-	-	11.83	15.21	12.65
	Profit before tax to paid-in capital ratio (%)	-	-	45.22	58.05	51.26
	Net income ratio (%)	-	-	3.46	4.32	3.52
	EPS (NT$)	-	-	3.66	4.84	4.28
Cash flow (%)	Cash flow ratio (%)	-	-	12.82	36.83	19.5
	Cash flow adequacy ratio (%)	-	-	Note 1	Note 1	Note 1
	Cash reinvestment ratio (%)	-	-	Note 2	20.82	6.93
Leverage	Operating leverage	-	-	1.19	1.23	1.25
	Financial leverage	-	-	1.03	1.03	1.02

Source: Independent financial statements audited by a CPA

Notes:
1. Financial data calculated according to IFRS standards for less than 5 years
2. Net cash flow from operating activities is negative and has no value for analysis.

5.2.3 Financial Analysis Based on Financial Accounting Standards in Taiwan: Consolidated

Item		Period	Most Recent Financial Information			
			2009	2010	2011	2012
Liquidity ratios (%)	Total liabilities to total assets		49.86	55.36	57.53	54.31
	Long-term debts to fixed assets		195.15	189.93	239.74	245.60
Debt ratios (%)	Current ratio		142.94	133.72	151.09	160.91
	Quick ratio		114.28	101.17	113.79	124.91
	Interest coverage ratio		18.19	38.30	24.17	15.25
Activity ratios	A/R turnover (times)		4.75	6.22	5.54	5.67
	A/R turnover days		77	59	66	64
	Inventory turnover (times)		6.32	9.29	8.16	8.16
	Accounts payable turnover (times)		4.36	5.87	5.62	6.27
	Average days to sell inventory		58	39	45	45
	Fixed assets turnover (times)		4.68	6.39	7.56	7.72
	Total assets turnover (times)		1.2	1.5	1.54	1.66
Earnings ability	Return on assets (%)		6.61	10.12	8.87	5.65
	Return on equity (%)		13.04	21	19.57	11.98
	Paid-in capital ratio (%)	Operating income	42.17	73.07	72.86	48.86
		PBT	42.72	74.51	77.86	47.23
	Net income ratio (%)		5.17	5.67	5.03	3.28
	EPS (NT$)		3.35	5.92	5.98	3.72
Cash flow (%)	Cash flow ratio		28.5	15.55	13.84	28.09
	Cash flow adequacy ratio		100.68	77.23	71.08	79.46
	Cash reinvestment ratio		19.26	10.59	4.06	11.63
Leverage	Operating leverage		1.51	1.33	1.43	1.66
	Financial leverage		1.06	1.03	1.05	1.07

Source: Consolidated financial statements audited by a CPA

5.2.4 Financial Analysis Based on Financial Accounting Standards in Taiwan: Independent

Item			Period: Most Recent Financial Information 2009	2010	2011	2012
Liquidity ratios (%)	Total liabilities to total assets		39.45	46.95	49.14	47.04
	Long-term debts to fixed assets		413.97	412.25	528.35	633.96
Debt ratios (%)	Current ratio		169.38	144.16	167.97	176.91
	Quick ratio		153.93	129.1	156.18	158.13
	Interest coverage ratio		79.56	139.63	78.51	34.19
Activity ratios	A/R turnover (times)		3.84	5.7	4.81	4.82
	A/R turnover days		95	64	76	76
	Inventory turnover (times)		16.36	27.1	30.34	27.83
	Accounts payable turnover (times)		5.58	7.87	6.71	7.08
	Average days to sell inventory		22	13	12	13
	Fixed assets turnover (times)		8.20	12.89	15.63	18.59
	Total assets turnover (times)		1.21	1.69	1.74	1.79
Earnings ability	Return on assets (%)		7.76	11.88	10.28	6.41
	Return on equity (%)		13.04	21	19.57	11.98
	Paid-in capital ratio (%)	Operating income	27.68	46.66	44.27	44.52
		PBT	42.45	69.91	73.72	45.84
	Net income ratio (%)		6.19	5.99	5.36	3.51
	EPS (NT$)		3.35	5.92	5.98	3.72
Cash flow (%)	Cash flow ratio		31.93	7.62	19.04	12.77
	Cash flow adequacy ratio		170.25	117.02	111.29	87.84
	Cash reinvestment ratio		14.42	0.95	3.5	Note
Leverage	Operating leverage		1.14	1.29	1.26	1.19
	Financial leverage		1.02	1.01	1.02	1.03
Note: Net cash flow from operating activities is negative and has no value for analysis.						

Source: Independent financial statements audited by a CPA

5.3 2014 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2014 Business Report, Financial Statements (Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows), and the profit allocation proposal. The Audit Committee of Wistron NeWeb Corporation has reviewed and determined the above to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation, 2015 Annual Shareholders' Meeting

Audit Committee convened by: Robert Hung

March 18, 2015

5.4 Financial Reports

Independent Auditors' Report

The Board of Directors

Wistron NeWeb Corporation:

We have audited the accompanying consolidated balance sheets of Wistron NeWeb Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by Financial Supervisory Commission of the Republic of China.

We have also audited the parent-company-only financial statements of Wistron NeWeb Corporation as of and for the years ended December 31, 2014 and 2013, on which we have issued an unqualified report.

March 18, 2015

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

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

Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 4,230,147	18	5,408,133	24
Available-for-sale financial assets－current (note 6(2))	1,219,611	5	2,460,802	11
Notes receivable (note 6(2))	172,180	1	124,297	1
Accounts receivable, net (note 6(2))	7,185,356	30	5,236,690	23
Accounts receivable from related parties (note 7)	153,111	1	168,674	1
Inventories, net (note 6(3))	4,467,936	19	3,138,831	14
Other financial assets－current (note 6(2))	57,669	-	40,275	-
Other current assets	335,598	1	219,736	1
Total current assets	17,821,608	75	16,797,438	75
Non-current assets:				
Financial assets carried at cost－non-current (note 6(2))	171,064	1	79,932	-
Investments accounted for using equity method (note 6(4))	138,828	-	129,626	1
Property, plant and equipment (notes 6(5) and 7)	5,232,640	22	4,669,660	21
Investment property, net (note 6(6))	-	-	274,478	1
Intangible assets (note 6(7))	59,682	-	56,858	-
Deferred tax assets (note 6(13))	163,120	1	135,803	1
Refundable deposits	12,069	-	11,078	-
Other non-current assets (note 6(2))	230,424	1	115,357	1
Total non-current assets	6,007,827	25	5,472,792	25
Total assets	**$ 23,829,435**	**100**	**22,270,230**	**100**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (note 6(8))	$ 2,024,739	9	2,251,328	10
Financial liabilities at fair value through profit or loss－current (note 6(2))	870	-	474	-
Notes and accounts payable	7,471,538	31	5,055,984	23
Accounts payable to related parties (note 7)	97,468	-	105,496	-
Wages and salaries payable	999,827	4	1,026,728	5
Other accrued expenses	794,281	3	686,235	3
Provisions－current (note 6(9))	120,200	1	112,524	-
Long-term liabilities, current portion (note 6(10))	-	-	1,487,608	7
Other current liabilities	606,200	3	612,618	3
Total current liabilities	12,115,123	51	11,338,995	51
Non-current liabilities:				
Deferred tax liabilities (note 6(13))	457,687	2	387,345	2
Accrued pension liabilities (note 6(12))	21,127	-	21,285	-
Total non-current liabilities	478,814	2	408,630	2
Total liabilities	12,593,937	53	11,747,625	53
Equity (notes 6(14) and (15)):				
Ordinary share capital	3,287,634	14	3,212,730	14
Advance receipts for share capital	-	-	12,284	-
Capital surplus	2,369,650	10	2,212,882	10
Retained earnings	5,515,923	23	5,173,321	23
Other equity interest	62,291	-	(88,612)	-
Total equity	11,235,498	47	10,522,605	47
Total liabilities and equity	**$ 23,829,435**	**100**	**22,270,230**	**100**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2014		**2013**	
	Amount	**%**	**Amount**	**%**
Net operating revenues (notes 6(17) and 7)	$ 40,326,918	100	36,653,661	100
Operating costs (notes 6(3) and (12) and 7)	34,906,664	87	31,462,617	86
Gross profit	5,420,254	13	5,191,044	14
Operating expenses (notes 6(11) and (12) and 7):				
Selling	1,259,763	3	1,273,558	3
General and administrative	804,941	2	584,802	2
Research and development	1,646,923	4	1,549,548	4
Total operating expenses	3,711,627	9	3,407,908	9
Net operating income	1,708,627	4	1,783,136	5
Non-operating income and expenses:				
Other income (notes 6(11) and (18))	73,747	-	124,709	-
Other gains and losses, net (note 6(18))	37,380	-	107,351	-
Finance costs (note 6(18))	(50,085)	-	(65,304)	-
Share of profit of associates accounted for using equity method (note 6(4))	10,520	-	10,211	-
Total non-operating income and expenses	71,562	-	176,967	-
Profit before tax	1,780,189	4	1,960,103	5
Tax expense (note 6(13))	403,801	1	441,772	1
Profit	**1,376,388**	**3**	**1,518,331**	**4**
Other comprehensive income (loss):				
Exchange differences on translation of foreign financial statements	189,560	1	204,223	1
Unrealized gains (losses) on available-for-sale financial assets	(8,149)	-	4,446	-
Actuarial losses on defined benefit plans (note 6(12))	(5,495)	-	(8,108)	-
Less: income tax relating to components of other comprehensive income (note 6(13))	(31,291)	-	(33,339)	-
Other comprehensive income, net of tax	144,625	1	167,222	1
Total comprehensive income, net of tax	**$ 1,521,013**	**4**	**1,685,553**	**5**
Earnings per share (New Taiwan Dollars) (note 6(16))				
Basic earnings per share	**$ 4.28**		**4.75**	
Diluted earnings per share	**$ 4.11**		**4.51**	

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

				Retained earnings				Other equity interest				
	Ordinary share capital	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappro-priated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2013	$ 3,038,496	6,919	2,051,579	992,904	-	3,429,347	4,422,251	(79,083)	8,314	-	(70,769)	9,448,476
Profit for the period	-	-	-	-	-	1,518,331	1,518,331	-	-	-	-	1,518,331
Other comprehensive income (loss) for the period	-	-	-	-	-	(6,729)	(6,729)	169,505	4,446	-	173,951	167,222
Total comprehensive income (loss) for the period	-	-	-	-	-	1,511,602	1,511,602	169,505	4,446	-	173,951	1,685,553
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	112,826	-	(112,826)	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	108,123	(108,123)	-	-	-	-	-	-
Cash dividends on ordinary share capital	-	-	-	-	-	(669,268)	(669,268)	-	-	-	-	(669,268)
Stock dividends on ordinary share capital	91,264	-	-	-	-	(91,264)	(91,264)	-	-	-	-	-
Exercise of employee share options	11,870	5,365	31,027	-	-	-	-	-	-	-	-	48,262
Issuance of restricted stock awards	71,100	-	130,276	-	-	-	-	-	-	(201,376)	(201,376)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	9,582	9,582	9,582
Balance as of December 31, 2013	3,212,730	12,284	2,212,882	1,105,730	108,123	3,959,468	5,173,321	90,422	12,760	(191,794)	(88,612)	10,522,605
Profit for the period	-	-	-	-	-	1,376,388	1,376,388	-	-	-	-	1,376,388
Other comprehensive income (loss) for the period	-	-	-	-	-	(4,561)	(4,561)	157,335	(8,149)	-	149,186	144,625
Total comprehensive income (loss) for the period	-	-	-	-	-	1,371,827	1,371,827	157,335	(8,149)	-	149,186	1,521,013
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	151,833	-	(151,833)	-	-	-	-	-	-
Cash dividends on ordinary share capital	-	-	-	-	-	(965,304)	(965,304)	-	-	-	-	(965,304)
Stock dividends on ordinary share capital	64,354	-	-	-	-	(64,354)	(64,354)	-	-	-	-	-
Exercise of employee share options	8,900	(12,284)	20,403	-	-	-	-	-	-	-	-	17,019
Issuance of restricted stock awards	3,900	-	13,399	-	-	-	-	-	-	(17,299)	(17,299)	-
Compensation cost of issued restricted stock awards	-	-	120,716	-	-	433	433	-	-	19,016	19,016	140,165
Expiration of restricted stock awards	(2,250)	-	2,250	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	$ 3,287,634	-	2,369,650	1,257,563	108,123	4,150,237	5,515,923	247,757	4,611	(190,077)	62,291	11,235,498

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2014	**2013**
Cash flows from operating activities:		
Profit before tax	$ 1,780,189	1,960,103
Adjustments:		
Adjustments to reconcile profit (loss) to net cash flows from operating activities		
Depreciation (including depreciation of investment property)	920,717	908,192
Amortization	75,140	78,218
Provision (reversal of provision) for doubtful accounts	49,355	(48,139)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	396	(183)
Interest expense	50,085	65,304
Interest income	(35,198)	(34,232)
Compensation cost of share-based payment	140,165	9,582
Share of profit of associates accounted for using equity method	(10,520)	(10,211)
Gain on disposal of investment	(17,475)	(7,633)
Adjustment for other non-cash-related losses, net	27,462	51,738
Provision for inventory devaluation loss	64,754	35,685
Total adjustments to reconcile profit (loss) to net cash flows from operating activities	1,264,881	1,048,321
Changes in operating assets and liabilities:		
Notes receivable	(47,883)	81,530
Accounts receivable	(1,998,021)	(74,297)
Accounts receivable from related parties	15,563	38,276
Inventories	(1,393,859)	161,734
Other operating assets	(254,875)	108,895
Notes and accounts payable	2,415,554	845,484
Accounts payable to related parties	(8,028)	27,927
Other operating liabilities	46,485	296,426
Total changes in operating assets and liabilities	(1,225,064)	1,485,975
Total adjustments	39,817	2,534,296
Cash inflow generated from operations	1,820,006	4,494,399
Interest received	37,047	33,355
Interest paid	(37,637)	(40,559)
Income tax paid	(395,272)	(334,095)
Net cash flows from operating activities	1,424,144	4,153,100
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(1,571,000)	(2,260,700)
Proceeds from disposal of available-for-sale financial assets	2,821,517	1,198,067
Acquisition of property, plant and equipment	(1,100,655)	(651,977)
Proceeds from disposal of property, plant and equipment	1,169	7,572
Acquisition of financial assets carried at cost	(91,132)	-
Acquisition of intangible assets	(77,958)	(80,873)
Increase in refundable deposits	(991)	(2,154)
Dividends received from an associate	6,178	-
Net cash used in investing activities	(12,872)	(1,790,065)
Cash flows from financing activities:		
Decrease in short-term borrowings	(226,589)	(1,015,832)
Repayments of bonds	(1,500,000)	-
Cash dividends paid	(965,304)	(669,268)
Exercise of employee share options	17,019	48,262
Net cash used in financing activities	(2,674,874)	(1,636,838)
Effect of exchange rate changes	85,616	38,561
Net increase(decrease) in cash and cash equivalents	(1,177,986)	764,758
Cash and cash equivalents at beginning of period	5,408,133	4,643,375
Cash and cash equivalents at end of period	**$ 4,230,147**	**5,408,133**

See accompanying notes to consolidated financial statements.

(amounts expressed in thousands of New Taiwan Dollars,
except for per share information and unless otherwise noted)

1. Organization

Wistron NeWeb Corporation (the Company) was founded in Hsinchu, Republic of China (ROC), on December 7, 1996. The address of the Company's registered office is 20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

The consolidated financial statements as of and for the year ended December 31, 2014, comprise the Company and its subsidiaries (together referred to as the "Group") and the Company's interest in associates. The Group is engaged mainly in the research, development, production, and sale of wired communication equipment, wireless communication networking equipment, electronic components, regulated telecommunication radio frequency equipment, satellite communication systems, and mobile and portable communication equipment.

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 18, 2015.

3. New Standards and Interpretations Not Yet Adopted

(1) 2013 version of International Financial Reporting Standards ("IFRS") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

In accordance with Rule No. 1030010325 issued by the FSC on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the 2013 version of IFRS (excluding IFRS 9 *Financial Instruments*) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations announced by the International Accounting Standards Board ("IASB") are as follows:

New standards, Amendments and Interpretations	Effective date per IASB
Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	July 1, 2010
Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	July 1, 2011
Amendments to IFRS 1 *Government Loans*	January 1, 2013
Amendments to IFRS 7 *Disclosures — Transfers of Financial Assets*	July 1, 2011
Amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities*	January 1, 2013

(Continued)

New standards, Amendments and Interpretations	Effective date per IASB
IFRS 10 *Consolidated Financial Statements*	January 1, 2013 (Investments Entities will be effective on January 1, 2014)
IFRS 11 *Joint Arrangements*	January 1, 2013
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
IFRS 13 *Fair Value Measurement*	January 1, 2013
Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*	July 1, 2012
Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*	January 1, 2012
Amendments to IAS 19 *Employee Benefits*	January 1, 2013
Amendments to IAS 27 *Separate Financial Statements*	January 1, 2013
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	January 1, 2014
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013

Based on the Group's assessment, except for the following standards, the 2013 version of IFRS will not have significant influence upon adoption:

A. IAS 19 *"Employee Benefits"*

The amendments to IAS 19 require the Group to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans. There is no significant impact in the Group's financial position and results of operations after the evaluation. The Group will disclose the defined benefit plan as the standard requires.

B. IFRS 10 *"Consolidated Financial Statements"*

The standard replaced regulations related to consolidated financial statements in the original IAS 27 *Consolidated and Separate Financial Statements* and renamed IAS 27 as *Separate Financial Statements*. The standard also superseded Standard Interpretations Committee interpretations 12 *Consolidation – Special Purpose Entities* and redefined the meaning of "control" with three elements. To have control over an investee, the investor must possess all three elements of control.

(Continued)

The Group is expecting that the adoption of the above standards may change the method of accounting of investees and disclosure for certain subsidiaries and associates.

C. IAS 1 *"Presentation of Financial Statements —Presentation of Items of Other Comprehensive Income"*

The other comprehensive income section is required to present line items which are classified by their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to two groups of items of other comprehensive is also required. The Group is expecting to change the presentation of comprehensive income statement in accordance with the standard.

D. IFRS 12 "*Disclosure of Interests in Other Entities"*

The standard is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is expecting to increase disclosures on the subsidiaries and associates in accordance with the standard.

E. IFRS 13 "*Fair Value Measurement"*

The standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. There is no significant impact in the Group's financial position and results of operations after the evaluation. The Group will disclose the fair value measurement as the standard requires.

(2) Impact of new standards and interpretations announced by the IASB not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet included in the 2013 version of IFRS endorsed by the FSC:

New Standards, Amendments, and Interpretations	Effective Date per IASB
IFRS 9 *Financial Instruments*	January 1, 2018
Amendments to IFRS 10 and IAS 28 *Sale or Contribution* of *Assets between an Investor and its Associate or Joint Venture*	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Acquisitions of Interests in a Joint Operation*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2017
Amendments to IAS 1 *Disclosure Initiative*	January 1, 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee*	July 1, 2014

(Continued)

New Standards, Amendments, and Interpretations	Effective Date per IASB
Contributions	
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
IFRIC 21 *Levies*	January 1, 2014

The Group is assessing the impact on financial condition and performance of the above standards and interpretations. The Group will disclose the related results when the assessment is finalized.

4. Summary of Significant Accounting Policies

The consolidated financial statements and these notes 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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated balance sheets:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments);

(b) Available-for-sale financial assets are measured at fair value; and,

(c) The defined benefit liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less the present value of

(Continued)

the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

			Percentage of Ownership at	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2014**	**December 31, 2013**
the Company	ANC Holding Corp. (ANCH)	Sales and trading of wireless communication products and electronic components	100%	100%
the Company	NeWeb Holding Corp. (NEWH)	Investment holding company	100%	100%
the Company	WNC Holding Corp. (WNCH)	Investment holding company	100%	100%
the Company	W-NeWeb Corp. (NUSA)	Sales of satellite communication and portable communication products	100%	100%
the Company	WNC GmbH (NDE)	Services for wireless communication products	100%	100%
the Company	WNC UK Limited (NUK)	Services for wireless communication products	100%	Note

(Continued)

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2014	Percentage of Ownership at December 31, 2013
NEWH	WNC (Kunshan) Corp. (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Co., Ltd. (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corp. (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Service (Kunshan) Corp. (NQC)	Repair and maintenance services for satellite communication and portable communication products	100%	100%

Note: The Company invested in NUK in July 2014, and it has been included in the consolidated financial statements since then.

C. List of subsidiaries which are not included in the consolidated financial statements: None.

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss except for the available-for-sale financial assets’ differences, which are recognized in other comprehensive income arising on the retranslation.

(Continued)

B. Foreign operations

The assets and liabilities of foreign operations are translated to New Taiwan Dollars at the exchange rates at the reporting date with the exception of shareholders' equity, which is translated at historical cost rates, and income and expenses, which are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

B. It holds the asset primarily for the purpose of trading;

C. It expects to realize the asset within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

A. It expects to settle the liability in its normal operating cycle;

B. It holds the liability primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprise cash, cash in bank and checking deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(Continued)

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are carried at their cost less any impairment losses, and are included in financial assets carried at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

(b) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is included in non-operating income and expenses.

(c) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses on receivables are recognized in operating expenses. Recoveries of receivables are recognized in non-operating income and expenses. Impairment losses and recoveries on financial assets other than receivables are recognized in non-operating income and expenses.

(d) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the

(Continued)

debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(b) Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise short-term borrowings, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid is recognized in non-operating income and expenses.

(d) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. The difference between standard cost and actual cost is recognized as operating cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and associates are eliminated to the extent of the Group’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group’s share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has a present legal or constructive obligation or has made payments on behalf of the investee.

(Continued)

(10) Investment property

Investment property is the property held either to earn rental income or for capital appreciation, but not for sale in the ordinary course of business. Investment property is measured at cost on initial recognition and subsequently at cost. Subsequent to initial recognition, investment property is measured at initial acquisition cost less any subsequent accumulated depreciation. Depreciation methods, useful lives, and residual values are in accordance with the policy on property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other costs directly attributable to bringing the investment property to a working condition for its intended use.

Rental income from investment property is recognized as non-operating income or expenses on a straight-line basis over the lease term.

When the use of a property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(11) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of the software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expenses.

B. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

D. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Each significant item of property, plant and equipment shall be evaluated individually and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and structures: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

(c) Research and development equipment: 3 to 6 years

(d) Other equipment: 3 to 5 years

(e) Buildings and structures constitute mainly buildings, mechanical and electrical power equipment, and related engineering, laboratory engineering, etc. Each constituent is depreciated based on its useful life of 50 years, 5 years, and 3 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(Continued)

(12) Leases

A. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

B. Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments.

Other leases are operating leases; payments made under an operating lease are recognized in expenses on a straight-line basis over the term of the lease.

(13) Intangible assets

A. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(d) How the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(Continued)

B. Other intangible assets

Other intangible assets acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

D. Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over 1 to 3 years for intangible assets, from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(14) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group would assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

Goodwill is required to be tested at least annually for impairment loss. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(Continued)

(15) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A. Warranties

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data.

B. Allowance and related provisions for sales returns

Allowance and related provisions for sales returns are estimated based on historical experience. They are recorded in the same period in which sales are made.

(16) Revenue recognition

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, the recovery of the consideration is probable, and the associated costs and possible return of goods can be estimated reliably.

B. Service

The Group provides design and maintenance service to customers. Revenue from design service rendered is recognized in profit in proportion to the stage of completion. Revenue from maintenance service is recognized in profit on the transaction at the reporting date according to transaction terms since the amount of income can be measured reliably.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss for the periods during which services are rendered by employees.

(Continued)

B. Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

All actuarial gains and losses at January 1, 2012 (the date of transition to the IFRSs endorsed by the FSC) were recognized in retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(18) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Continued)

The Company elected to take the optional exemption under IFRS 1 for share-based payment before January 1, 2008. The Company used the intrinsic value method to recognize compensation cost for its employee share options which were granted and vested on or before January 1, 2012, which was the difference between the market price of the stock and the exercise price of the employee share option on the measurement date, in accordance with the ARDF interpretation on January 10, 2009. The grant-date fair value of share-based payment awards granted to employees is recognized as employee expense, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards.

(19) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

(Continued)

(20) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee share options, convertible bonds payable, unvested restricted stock awards, and employees' bonuses to be settled through the issuance of shares upon approval by shareholders. The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to ordinary shares.

(21) Operating segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimations 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 estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period and the impact of the changes in the accounting estimations in the next period.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash, cash in bank and checking deposits	$ 1,816,613	1,431,390
Time deposits	2,413,534	3,976,743
	$ 4,230,147	**5,408,133**

(Continued)

Please refer to note 6(19) for the disclosure of currency risk of the financial assets and liabilities of the Group.

(2) Financial assets

A. Details are as follows:

		December 31,	
		2014	**2013**
(a)	Available-for-sale financial assets－current:		
	Beneficiary certificates－mutual funds	**$ 1,219,611**	**2,460,802**
(b)	Financial assets carried at cost－non-current:		
	Domestic unlisted common stocks－		
	First International Telecom, Inc.	$ -	-
	Foreign unlisted common stocks－		
	GreenWave Holdings Inc.	48,482	48,482
	NeWave Sensor Solutions LLC	31,450	31,450
	Bretelon, Inc.	46,096	-
	Foreign unlisted convertible note－		
	Eyelock, Inc.	45,036	-
		$ 171,064	**79,932**

The Group evaluated the investment value of First International Telecom, Inc. and recorded an impairment loss of $29,700 in the prior year.

(c) Notes receivable

	December 31,	
	2014	**2013**
Notes receivable from operating activities	**$ 172,180**	**124,297**

(d) Accounts receivable, other receivable and overdue receivable, net:

	December 31,	
	2014	**2013**
Current:		
Accounts receivable	$ 7,411,939	5,413,918
Other receivables (recorded in other financial assets－current)	39,860	26,094
Less: allowance for doubtful accounts	(226,583)	(177,228)
	$ 7,225,216	**5,262,784**

(Continued)

	December 31, 2014	December 31, 2013
Non-current:		
Overdue receivable	$ 39,976	39,976
Less: allowance for doubtful accounts	(39,976)	(39,976)
Overdue receivable, net (recorded in other non-current assets)	$ -	-

The Group's aging analysis of receivables (including other receivables and overdue receivable) as of the reporting date was as follows:

	December 31, 2014		December 31, 2013	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 6,684,897	71	4,850,330	-
Past due 0~60 days	819,031	7,022	684,040	-
Past due 61~90 days	24,346	-	8,156	-
Past due 91~180 days	63,407	34,081	827	450
Past due more than 181 days	225,385	225,385	229,606	216,754
	$ 7,817,066	266,559	5,772,959	217,204

The movement in the allowance for doubtful accounts (including other receivables and overdue receivables) was as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Balance as of January 1	$ 217,204	270,146
Impairment loss recognized (reversed)	49,355	(48,139)
Write-off for the period	-	(4,803)
Balance as of December 31	$ 266,559	217,204

The Group determines an impairment loss according to the credit ratings, insurance adequacy, and aging of receivables of its customers. An impairment loss in respect of accounts receivable is reflected in an allowance account against the receivables. Any subsequent recovery of receivables written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in non-operating income and expenses.

(Continued)

B. Sensitivity analysis

If there had been an increase or decrease in the fair value of beneficiary certificates of 1% on the reporting date, after-tax, other comprehensive income would have increased (or decreased) by $12,196 and by $24,608 for the years ended December 31, 2014 and 2013, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

C. Derivative instruments not used for hedging

The Group uses derivative instruments to hedge certain currency risk the Group is exposed to arising from its operating, financing and investing activities. The Group held the following derivative instruments not used for hedging and presented them as held-for-trading financial assets as of December 31, 2014 and 2013:

Unit: foreign currency thousand

	December 31, 2014			December 31, 2013		
	Contract amount	**Currency**	**Maturity date**	**Contract amount**	**Currency**	**Maturity date**
Sell－forward foreign currency exchange contracts	USD 2,000	Sell USD/ Buy NTD	January 9, 2015	USD 6,000	Sell USD/ Buy NTD	January 2, 2014~January 27, 2014

As of December 31, 2014 and 2013, the carrying amounts of related derivative financial liabilities were $870 and $474, respectively.

(3) Inventories

	December 31, 2014	December 31, 2013
Raw materials	$ 2,004,656	1,240,711
Work in process and semi-finished products	506,212	280,403
Finished goods	1,957,068	1,617,717
	$ 4,467,936	3,138,831

(Continued)

The details of operating costs were as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Cost of goods sold	$ 34,866,923	31,450,975
Inventory devaluation loss	64,754	35,685
Revenue from sale of scrap	(24,438)	(23,880)
Physical inventory gain	(575)	(163)
	$ 34,906,664	31,462,617

(4) Investment accounted for using equity method

	December 31, 2014	December 31, 2013
Associate	$ 138,828	129,626

An associate of the Group is not traded in the public market, and its fair value is impractical to assess.

The Group's share of the net income of an associate was as follows:

For the years ended December 31, 2014	For the years ended December 31, 2013
$ 10,520	10,211

Summary financial information for an investment in an associate (before being adjusted to the Group's proportionate share) was as follows:

	December 31, 2014	December 31, 2013
Total assets	$ 560,780	524,211
Total liabilities	$ 282,402	264,435

	For the years ended December 31, 2014	For the years ended December 31, 2013
Income	$ 557,505	550,382
Net income	$ 22,177	21,524

(Continued)

(5) Property, plant and equipment

	Building and structures	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment under acceptance	Total
Cost:						
Balance as of January 1, 2014	$ 3,510,908	4,323,538	613,290	638,987	118,695	9,205,418
Additions	21,806	277,038	36,615	102,652	695,392	1,133,503
Disposals	-	(141,814)	(2,663)	(10,978)	-	(155,455)
Reclassification	375,198	302,032	7,968	21,749	(370,138)	336,809
Effect of exchange rate changes	65,357	115,224	1,578	18,897	9,324	210,380
Balance as of December 31, 2014	**$ 3,973,269**	**4,876,018**	**656,788**	**771,307**	**453,273**	**10,730,655**
Balance as of January 1, 2013	$ 3,379,661	3,893,836	553,892	557,049	61,688	8,446,126
Additions	33,402	215,028	43,790	67,638	348,326	708,184
Disposals	-	(151,176)	(3,995)	(18,160)	-	(173,331)
Reclassification	1,130	212,559	17,707	8,823	(291,657)	(51,438)
Effect of exchange rate changes	96,715	153,291	1,896	23,637	338	275,877
Balance as of December 31, 2013	**$ 3,510,908**	**4,323,538**	**613,290**	**638,987**	**118,695**	**9,205,418**
Accumulated depreciation:						
Balance as of January 1, 2014	$ 945,218	2,721,419	436,517	432,604	-	4,535,758
Depreciation for the period	202,812	561,224	64,065	92,024	-	920,125
Disposals	-	(141,736)	(2,663)	(10,468)	-	(154,867)
Reclassification	85,697	-	-	-	-	85,697
Effect of exchange rate changes	24,259	73,719	1,052	12,272	-	111,302
Balance as of December 31, 2014	**$ 1,257,986**	**3,214,626**	**498,971**	**526,432**	**-**	**5,498,015**
Balance as of January 1, 2013	$ 716,842	2,219,555	383,448	364,084	-	3,683,929
Depreciation for the period	201,906	572,770	53,164	72,652	-	900,492
Disposals	-	(146,337)	(1,215)	(17,906)	-	(165,458)
Effect of exchange rate changes	26,470	75,431	1,120	13,774	-	116,795
Balance as of December 31, 2013	**$ 945,218**	**2,721,419**	**436,517**	**432,604**	**-**	**4,535,758**
Book value:						
Balance as of December 31, 2014	**$ 2,715,283**	**1,661,392**	**157,817**	**244,875**	**453,273**	**5,232,640**
Balance as of December 31, 2013	**$ 2,565,690**	**1,602,119**	**176,773**	**206,383**	**118,695**	**4,669,660**

The Group entered into a construction contract with South Jiangsu Construction Group Co., Ltd. and Kunshan Michisuke Electrical Engineering Co., Ltd. for the expansion of a building amounting to $367,613 in the year ended December 31, 2014. As of December 31, 2014, the Group incurred $81,930.

(Continued)

(6) Investment property

		Building and structures
Cost:		
Balance as of January 1, 2014	$	359,583
Reclassification		(359,583)
Balance as of December 31, 2014	**$**	**-**
Balance as of January 1, 2013(same as balance as of December 31, 2013)	**$**	**359,583**
Accumulated depreciation:		
Balance as of January 1, 2014	$	85,105
Depreciation for the period		592
Reclassification		(85,697)
Balance as of December 31, 2014	**$**	**-**
Balance as of January 1, 2013	$	77,405
Depreciation for the period		7,700
Balance as of December 31, 2013	**$**	**85,105**
Book value:		
Balance as of December 31, 2014	**$**	**-**
Balance as of December 31, 2013	**$**	**274,478**

The term of the lease expired in the first quarter of 2014. Due to current operating considerations, the Group reclaimed the building for own operation use and reclassified it under property, plant and equipment on March 31, 2014.

(7) Intangible assets

		Software	Patent	Total
Cost:				
Balance as of January 1, 2014	$	132,021	63,868	195,889
Additions		64,993	12,965	77,958
Write-off		(52,280)	(27,959)	(80,239)
Effect of exchange rate changes		218	-	218
Balance as of December 31, 2014	**$**	**144,952**	**48,874**	**193,826**
Balance as of January 1, 2013	$	122,371	55,767	178,138
Additions		44,310	36,563	80,873
Write-off		(35,071)	(28,462)	(63,533)
Effect of exchange rate changes		411	-	411
Balance as of December 31, 2013	**$**	**132,021**	**63,868**	**195,889**

(Continued)

	Software	Patent	Total
Amortization:			
Balance as of January 1, 2014	$ 85,785	53,246	139,031
Amortization for the period	53,787	21,353	75,140
Write-off	(52,280)	(27,959)	(80,239)
Effect of exchange rate changes	212	-	212
Balance as of December 31, 2014	$ 87,504	46,640	134,144
Balance as of January 1, 2013	$ 72,554	51,470	124,024
Amortization for the period	47,980	30,238	78,218
Write-off	(35,071)	(28,462)	(63,533)
Effect of exchange rate changes	322	-	322
Balance as of December 31, 2013	$ 85,785	53,246	139,031
Book value:			
Balance as of December 31, 2014	$ 57,448	2,234	59,682
Balance as of December 31, 2013	$ 46,236	10,622	56,858

(8) Short-term borrowings

	December 31, 2014			
	Currency	Annual interest rate	Year of maturity	Amount
Unsecured bank loans	USD	0.95%~1.96%	2015	$ 2,024,739

	December 31, 2013			
	Currency	Annual interest rate	Year of maturity	Amount
Unsecured bank loans	USD	0.75%~2.5%	2014	$ 2,251,328

Please refer to note 6(19) for the disclosure of interest risk, currency risk, and liquidity risk.

(9) Provisions

	Warranties	Allowance for sales returns and discounts	Total
Balance as of January 1, 2014	$ 78,679	33,845	112,524
Provisions made (reversed) for the period	36,601	(3,781)	32,820
Provisions utilized during the period	(25,144)	-	(25,144)
Balance as of December 31, 2014	$ 90,136	30,064	120,200

(Continued)

	Warranties	Allowance for sales returns and discounts	Total
Balance as of January 1, 2013	$ 66,847	44,177	111,024
Provisions made (reversed) for the period	57,973	(10,332)	47,641
Provisions utilized during the period	(46,141)	-	(46,141)
Balance as of December 31, 2013	**$ 78,679**	**33,845**	**112,524**

(10) Bonds payable

	December 31, 2014	December 31, 2013
Convertible bonds payable	$ 1,500,000	1,500,000
Less: unamortized discount	-	(12,392)
Subtotal	1,500,000	1,487,608
Less: current portion	-	(1,487,608)
Repayment	(1,500,000)	-
Book value	**$ -**	**-**
Equity element – conversion options (recorded in capital surplus – share options)	**$ 74,160**	**74,160**

The significant terms of the convertible bonds payable issued in June 2011 are summarized as follows:

Par value: $1,500,000

Maturity date: June 2014

Coupon rate: 0%

Conversion price: The conversion price is calculated as 110% of the basis price, which is the average price among the three arithmetic averages of the Company's closing prices for one, three, and five business days before the basis date. Using the above approach, the conversion price of the issuance was $126.4 per share. The above conversion price has been adjusted down to $96.3 per share since August 21, 2013.

Conversion method: Except for the closed period, bondholders may convert bonds into the Company's ordinary shares at any time between July 15, 2011, and June 4, 2014.

The Company's first unsecured convertible bonds payable were matured and repaid in June 2014.

(Continued)

(11) Operating lease

A. Lessee

For the years ended December 31, 2014 and 2013, $13,568 and $13,555, respectively, were recognized as expenses in profit or loss in respect of operating leases.

The Group entered into a land lease agreement with the Hsinchu Science Park Administration. The period of the land lease agreement is twenty years. The monthly rent is $1,131. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

The Group leased out an investment property under an operating lease; please refer to note 6(6). The future minimum lease payments receivable under non-cancellable leases were as follows:

	December 31,	
	2014	**2013**
Less than one year	**$ -**	**4,534**

For the years ended December 31, 2014 and 2013, the Group recognized a rental revenue on its investment property of $1,134 and $27,216, respectively; the depreciation of the investment property amounted to $592 and $7,700, respectively, and they were recognized as non-operating income and expenses.

(12) Employee benefit

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Company were as follows:

	December 31,	
	2014	**2013**
Total present value of obligation	$ 166,809	157,548
Fair value of plan assets	(145,682)	(136,263)
Recognized liabilities for defined benefit obligation	**$ 21,127**	**21,285**

(Continued)

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $145,682 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Movements in present value of defined benefit obligation

	For the years ended December 31,	
	2014	**2013**
Defined benefit obligation as of January 1	$ 157,548	148,863
Benefits paid by the plan	(1,040)	(2,636)
Current service costs and interest	4,388	3,878
Actuarial losses	5,913	7,443
Defined benefit obligation as of December 31	**$ 166,809**	**157,548**

(c) Movements of defined benefit plan assets

	For the years ended December 31,	
	2014	**2013**
Fair value of plan assets as of January 1	$ 136,263	129,939
Contributions made	7,243	7,288
Benefits paid by the plan	(1,040)	(2,636)
Expected return on plan assets	2,798	2,337
Actuarial gains (losses)	418	(665)
Fair value of plan assets as of December 31	**$ 145,682**	**136,263**

(Continued)

(d) Expenses recognized in profit or loss

		For the years ended December 31, 2014	2013
Current service costs	$	1,237	1,273
Interest on obligation		3,151	2,605
Expected return on plan assets		(2,798)	(2,337)
	$	1,590	1,541
Actual return on plan assets	$	3,216	1,672

(e) Actuarial gains and losses recognized in other comprehensive income

		For the years ended December 31, 2014	2013
Cumulative amount as of January 1	$	(62,800)	(54,692)
Recognized for the period		(5,495)	(8,108)
Cumulative amount as of December 31	$	(68,295)	(62,800)

(f) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

(i) Present value of defined benefit obligation:

	December 31, 2014	2013
Discount rate	2.00%	2.00%
Future salary increases	3.00%	3.00%
Expected return on plan assets	2.00%	2.00%

(ii) Cost of defined benefit plan:

	For the years ended December 31, 2014	2013
Discount rate	2.00%	1.75%
Future salary increases	3.00%	3.00%
Expected return on plan assets	2.00%	1.75%

(Continued)

(g) Experience adjustments based on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	$ 166,809	157,548	148,863	154,392
Fair value of plan assets	(145,682)	(136,263)	(129,939)	(121,378)
Net liabilities of defined benefit obligation	$ 21,127	21,285	18,924	33,014
Experience adjustments arising on present value of defined benefit plans	$ 5,913	13,623	2,967	-
Experience adjustments arising on fair value of plan assets	$ (418)	665	1,292	-

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $7,184.

(h) When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including the discount rate and future salary changes as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2014, the Group's accrued pension liabilities were $21,127. If the discount rate and salary increase rate had increased or decreased by 0.25%, the movement with respect to Group's accrued pension liabilities would be as follows:

	Accrued pension liabilities	
Actuarial assumptions	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$ (5,974)	6,262
Salary increase rate	$ 6,095	(6,666)

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company should allocate 6% of its employees' monthly wages to their labor pension personal accounts. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations. The total pension costs of the Group's overseas subsidiaries under a defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution method were $136,112 and $106,997 for the years ended December 31, 2014 and 2013, respectively.

(Continued)

(13) Income tax

A. Tax expenses

The amount of income tax for the years ended December 31, 2014 and 2013, was as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Current tax expense		
Current period	$ 363,343	343,339
10% surtax on unappropriated retained earnings	33,228	25,490
Adjustment for prior period	(4,504)	26,877
	392,067	395,706
Deferred tax expense		
Origination and reversal of temporary differences	11,734	46,484
Change in unrecognized deductible temporary differences	-	(418)
	11,734	46,066
Tax expense	**$ 403,801**	**441,772**

The amount of tax expense (income) recognized in other comprehensive income (loss) for the years ended December 31, 2014 and 2013, was as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Exchange differences on translation of foreign financial statements	$ (32,225)	(34,718)
Defined benefit plan actuarial losses	934	1,379
	$ (31,291)	**(33,339)**

(Continued)

The reconciliation of income tax and profit before tax for the years ended December 31, 2014 and 2013, was as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Profit before tax	$ 1,780,189	1,960,103
Income tax using the Company's domestic tax rate	$ 302,632	333,217
Effect of tax rates in foreign jurisdictions	82,289	76,580
Non-deductible expenses	17,588	7,502
Tax-exempt income	(27,432)	(27,476)
10% surtax on unappropriated retained earnings	33,228	25,490
Under (over)-provision in prior periods and others	(4,504)	26,459
Total	$ 403,801	441,772

B. Deferred tax assets and liabilities－recognized deferred tax assets and liabilities

Deferred Tax Assets:

	Defined benefit plans	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Unrealized inter-company profits	Unrealized foreign exchange loss (gain)	Others	Total
Balance as of January 1, 2014	$ 10,676	26,634	15,088	32,568	-	50,837	135,803
Recognized in profit or loss	-	5,584	3,914	(10,894)	-	27,779	26,383
Recognized in other comprehensive income (loss)	934	-	-	-	-	-	934
Balance as of December 31, 2014	$ 11,610	32,218	19,002	21,674	-	78,616	163,120
Balance as of January 1, 2013	$ 9,297	34,979	18,742	37,260	10,204	23,323	133,805
Recognized in profit or loss	-	(8,345)	(3,654)	(4,692)	(10,204)	27,514	619
Recognized in other comprehensive income (loss)	1,379	-	-	-	-	-	1,379
Balance as of December 31, 2013	$ 10,676	26,634	15,088	32,568	-	50,837	135,803

(Continued)

Deferred Tax Liabilities:

	Share of profit of subsidiaries and associates accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized foreign exchange loss (gain)	Others	Total
Balance as of January 1, 2014	$ (334,769)	(48,220)	(4,351)	(5)	(387,345)
Recognized in profit or loss	(41,953)	-	3,831	5	(38,117)
Recognized in other comprehensive income (loss)	-	(32,225)	-	-	(32,225)
Balance as of December 31, 2014	$ (376,722)	(80,445)	(520)	-	(457,687)
Balance as of January 1, 2013	$ (292,440)	(13,502)	-	-	(305,942)
Recognized in profit or loss	(42,329)	-	(4,351)	(5)	(46,685)
Recognized in other comprehensive income (loss)	-	(34,718)	-	-	(34,718)
Balance as of December 31, 2013	$ (334,769)	(48,220)	(4,351)	(5)	(387,345)

C. The Company's tax returns have been examined by the tax authorities through 2011.

D. Information related to the unappropriated retained earnings and tax deduction ratio is summarized below:

	December 31,	
	2014	2013
Unappropriated earnings of 1998 and after	$ 4,150,237	3,959,468
Balance of deductible tax account	$ 607,284	548,098

	2014 (estimated)	2013 (actual)
Tax deduction ratio for earnings distribution to ROC residents	18.62%	17.34%

The information related to the unappropriated retained earnings and tax deduction ratio shown in the tables above is prepared in accordance with ruling letter No. 10204562810 issued by the Ministry of Finance, R.O.C., on October 17, 2013.

(14) Capital and other equity interest

A. Ordinary share capital

As of December 31, 2014 and 2013, the authorized capital of the Company are amounted to $5,000,000 and $3,500,000, respectively, both of which included the amount of $250,000 reserved for employee share options; the issued capital amounted to $3,287,634 and $3,212,730, respectively.

(Continued)

Pursuant to a shareholders' resolution on June 6, 2014, the Company increased its ordinary share capital by 6,435 thousand shares through the transfer of stock dividends of $64,354. The effective date of the capital increase was August 13, 2014, and it was registered with the government authorities.

Pursuant to a shareholders' resolution on June 11, 2013, the Company increased its ordinary share capital by 9,126 thousand shares through the transfer of stock dividends of $91,264. The effective date of the capital increase was August 21, 2013, and it was registered with the government authorities.

B. Capital surplus

	December 31,	
	2014	**2013**
Capital surplus－premium	$ 2,005,029	1,871,339
Treasury stock sold to employees	100,454	100,454
Conversion options of bonds	74,160	74,160
Restricted stock awards	153,354	130,276
Capital surplus from merger	36,653	36,653
	$ 2,369,650	**2,212,882**

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

C. Retained earnings

(a) Legal reserve

Pursuant to the ROC Company Act, 10% of the Company's annual profit is to be set aside as legal reserve until such retention equals the amount of issued ordinary share capital. Where a company incurs no loss, it may distribute the amount of the legal reserve that exceeds 25% of issued ordinary share capital either by capitalizing its legal reserve and distributing the new shares as dividend shares to its original shareholders in proportion to the number of shares held by each of them or by distributing a cash dividend.

(Continued)

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to $136,043. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $108,123 as of December 31, 2014 and 2013.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

According to the Company's articles of incorporation as revised, after-tax earnings, if any, should first offset the cumulative losses, and 10% of the remainder should be set aside as legal reserve. If necessary, any special reserve or reversal should be made in accordance with relevant laws or regulations. The remaining amount together with the prior years' unappropriated retained earnings should be distributed as follows:

(i) 5% or more of the current-year earnings as bonuses to employees. If the bonus is provided as ordinary share capital, employees (including those of the subsidiaries) must conform to certain conditions set by the Board of Directors.

(ii) 1% of the current-year earnings as remuneration to directors (provided in cash).

(iii) The remainder, after retaining a certain portion for business considerations and no less than 10% of the current-year earnings, shall be distributed as dividends to shareholders.

(Continued)

For the years ended December 31, 2014 and 2013, the amounts of the employees' bonuses were estimated at $184,910 and $204,975, respectively, and the amounts of remuneration to directors were estimated at $12,387 and $13,665, respectively. The Board of Directors estimated the amounts by taking into consideration the historical appropriation, and the amounts were decided to be 90% of the balance of profit for the years ended December 31, 2014 and 2013, multiplied by 15% as bonuses to employees and multiplied by 1% as remuneration to directors. Shares distributed to employees as employees' bonuses are calculated based on the closing price of the Company's shares on the day before the shareholders' meeting, and the ex-rights and ex-dividend effects should be taken into consideration. Moreover, if the amounts are modified by the shareholders, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of profit (loss) in the following year.

Appropriation of retained earnings for 2013 and 2012 were approved through the shareholders' meetings held on June 6, 2014, and June 11, 2013, respectively. The relevant dividend distributions to shareholder were as follows:

	2013		2012	
	Amount per share (New Taiwan Dollars)	**Total amount**	**Amount per share (New Taiwan Dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$3.0002	965,304	2.1967	669,268
Shares	0.2000	64,354	0.2995	91,264
		$ 1,029,658		760,532
Employees' bonuses－cash		$ 204,975		203,087
Directors' remuneration		13,665		10,154
		$ 218,640		213,241

The appropriation of retained earnings did not differ from the resolutions approved by the directors. The information is available on the Market Observation Post System website.

For the year ended December 31, 2014, the appropriation of retained earnings will be presented for resolution in the Board of Directors' meeting on March 18, 2015 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meetings.

(Continued)

(15) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2014, is as follows:

	Restricted stock awards	**Restricted stock awards**	**Employee share options**
	Issued in 2014	**Issued in 2013**	**Issued in 2007**
Grant date	September 15, 2014	November 12, 2013	November 16, 2007
Granted units (thousands)	390	7,110	20,000
Contractual life	1~3 years	1~3 years	5 years
Vesting condition	Note	Note	2~4 years
Price per share (New Taiwan Dollars)	0	0	65.8
Adjusted exercise price (New Taiwan Dollars)	0	0	31.5

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The options will be granted only if the overall performance target and the personal performance target are reached.

B. The Company adopted the Black-Scholes model to calculate the fair value of the restricted stock awards and employee share options at the grant date, and the assumptions adopted in this valuation model was as follows:

	Restricted stock awards	**Restricted stock awards**	**Employee share options**
	Issued in 2014	**Issued in 2013**	**Issued in 2007**
Exercise price	0	0	10.6
Current market price at grant date	73.8	69.6	65.8
Expected cash dividend yield	0%	0%	22%
Expected volatility	29.27%	30.85%	87.37%
Risk-free interest rate	0.5005%/0.6871% /0.8971%	0.6042%/0.6905% /0.8455%	2.29%
Expected life of the option	1~3 years	1~3 years	5 years

The fair values of the above restricted stock awards which were issued in 2014 and 2013 with a vesting period for the first, second and third years were $65.42, $62.28 and $60.18 and $61.30, $58.13 and $55.97, respectively.

(Continued)

C. Employee share options:

As of December 31, 2014 and 2013, the Company had received $0 and $12,284, respectively, in advance for the purchase of employee share options 0 thousand shares and 362 thousand shares, respectively. The registration had not yet been completed and was recorded in advance receipts for share capital.

According to the employee share options granted on November 16, 2007, the options are exercisable from the second anniversary of the grant date. The Company adopted the intrinsic value method to recognize the compensation cost for the first employee share options in 2007. However, as the option exercise price was equal to the market value on the measurement date, there was no compensation cost recognized for the year ended December 31, 2014.

The details of the share options of the Company were as follows (in thousands):

	For the years ended December 31			
	2014		2013	
	Weighted average exercise price (New Taiwan Dollars)	**Number of options**	**Weighted average exercise price (New Taiwan Dollars)**	**Number of options**
Outstanding as of January 1	$ 33.40	585	37.00	1,986
Options exercised	32.23	(528)	35.43	(1,362)
Options forfeited (expired)	31.50	(57)	34.20	(39)
Outstanding as of December 31	**31.50**	**-**	**33.40**	**585**
Exercisable as of December 31	**31.50**	**-**	**33.40**	**585**

D. Restricted stock awards

On June 11, 2013, pursuant to the resolutions of its shareholders' meeting, the Company issued 7,500 thousand shares of restricted stock awards to those full-time employees who conformed to the Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the ROC Financial Supervisory Commission. On August 6, 2014 and August 7, 2013, the Board of Directors approved a resolution to issue 390 thousand shares and 7,110 thousand shares, respectively, of restricted stock awards to its employees. The effective dates of the capital increase were September 15, 2014 and November 12, 2013, respectively, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

(Continued)

For the year ended December 31, 2013, the Company issued the restricted stock awards of 7,110 thousand shares to its employees, which resulted in a capital surplus — restricted employee stock awards of $130,276. For the year ended December 31, 2014, 255 thousand shares of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $2,250. Also, for the year ended December 31, 2014, the Company issued the restricted shares stock of 390 thousand shares to its employees, which resulted in a capital surplus — restricted employee shares of stock of $13,399. As of December 31, 2014 and 2013, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $190,077 and $191,794, respectively.

For the year ended December 31, 2014, the Company recognized a salary cost of $433 from the distribution of cash and stock dividends to the estimated non-vesting restricted stock awards distributed to its employees from the prior period earnings. Such salary cost was credited for under retained earnings as it is remained to be unrealized.

(16) Earnings per share

The Group's calculation of basic earnings per share and diluted earnings per share was as follows:

	For the years ended December 31,	
	2014	**2013**
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ **1,376,388**	**1,518,331**
Weighted-average number of ordinary shares (in thousands)	**321,517**	**313,753**
Basic earnings per share (New Taiwan Dollars)	**$ 4.28**	**4.84**
Basic earnings per share—retroactively adjusted (New Taiwan Dollars)		**$ 4.75**
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 1,376,388	1,518,331
Interest expense on convertible bonds, net of tax	10,285	22,183
Profit attributable to ordinary shareholders of the Company (diluted)	**$ 1,386,673**	**1,540,514**
Weighted-average number of ordinary shares (in thousands) (basic)	321,517	313,753
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee bonus	4,224	4,820
Effect of share options on issue	181	495
Effect of unvested restricted stock awards	4,794	259
Effect of conversion of convertible bonds	7,041	15,576
Weighted-average number of ordinary shares (in thousands) (diluted)	**337,757**	**334,903**
Diluted earnings per share (New Taiwan Dollars)	**$ 4.11**	**4.60**
Diluted earnings per share—retroactively adjusted (New Taiwan Dollars)		**$ 4.51**

(Continued)

(17) Operating revenues

	For the years ended December 31, 2014	2013
Wireless communication products	$ 38,993,587	35,501,296
Others	1,333,331	1,152,365
	$ 40,326,918	**36,653,661**

(18) Non-operating income and expenses

A. Other income

	For the years ended December 31, 2014	2013
Reversal of doubtful accounts recorded in other income	$ -	48,139
Interest income	35,198	34,232
Rental income	4,648	23,639
Others	33,901	18,699
	$ 73,747	**124,709**

B. Other gains or losses

	For the years ended December 31, 2014	2013
Foreign exchange gains, net	$ 19,720	99,836
Gain on disposal of investment	17,475	7,633
Gain (loss) on disposal of property, plant and equipment	581	(301)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(396)	183
	$ 37,380	**107,351**

(Continued)

C. Finance costs

	For the years ended December 31, 2014	2013
Interest expenses		
Bonds payable	$ 12,392	26,726
Short-term borrowings	37,693	38,578
	$ 50,085	**65,304**

(19) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2014	2013
Cash and cash equivalents	$ 4,230,147	5,408,133
Available-for-sale financial assets－current	1,219,611	2,460,802
Notes and accounts receivable (including related parties and overdue receivable)	7,510,647	5,529,661
Other financial assets－current	57,669	40,275
Financial assets carried at cost－non-current	171,064	79,932
Refundable deposits	12,069	11,078
	$ 13,201,207	**13,529,881**

Financial liabilities

	December 31, 2014	2013
Short-term borrowings	$ 2,024,739	2,251,328
Financial liabilities at fair value through profit or loss－current	870	474
Notes and accounts payable (including related parties)	7,569,006	5,161,480
Bonds payable	-	1,487,608
	$ 9,594,615	**8,900,890**

B. Credit risk

Credit risk exposure

As of the reporting date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the Consolidated balance sheet.

(Continued)

The Group's most significant customer, "D", accounted for $541,461and $311,466 of the carrying amount of accounts receivable as of December 31, 2014 and 2013, respectively.

C. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements, except for notes and accounts payable (including related parties) and other accrued expenses.

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2014					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,136,635	1,138,192	1,138,192	-	-
Unsecured variable-rate bank loans	888,104	889,571	889,571	-	-
Derivative financial liabilities					
Financial liabilities at fair value through profit or loss－current	870	870	870	-	-
	$2,025,609	2,028,633	2,028,633	-	-
December 31, 2013					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,173,128	1,174,478	1,174,478	-	-
Unsecured variable-rate bank loans	1,078,200	1,079,818	1,079,818	-	-
Bonds payable (recorded in long-term liabilities, current portion)	1,487,608	1,500,000	1,500,000	-	-
Derivative financial liabilities					
Financial liabilities at fair value through profit or loss－current	474	474	474	-	-
	$ 3,739,410	3,754,770	3,754,770	-	-

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

(Continued)

D. Currency risk

(a) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2014		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 209,643	31.718	6,649,472
Investments accounted for using equity method			
USD	4,377	31.718	138,828
Financial liabilities			
Monetary items			
USD	294,904	31.718	9,353,754

	December 31, 2013		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 189,498	29.95	5,675,460
Investments accounted for using equity method			
USD	4,328	29.95	129,626
Financial liabilities			
Monetary items			
USD	241,142	29.95	7,222,214

(b) 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, receivables, available-for-sale financial assets—current, short-term borrowings, notes and accounts payable (including related parties), and other accrued expenses that are denominated in foreign currency. A fluctuation in the TWD/USD exchange rate on the reporting date, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2014 and 2013, as illustrated below:

(Continued)

	Range of fluctuations	For the years ended December 31, 2014	2013
TWD exchange rate	Depreciation of TWD 1 against the USD	$ (70,767)	(42,865)
	Appreciation of TWD 1 against the USD	$ 70,767	42,865

E. Interest rate analysis

Please refer to the note on liquidity risk management and the Group's interest rate exposure regarding its financial assets and liabilities.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative 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. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2014 and 2013, as illustrated below:

	Range of fluctuations	For the years ended December 31, 2014	2013
Annual interest rate	Increase of 1%	$ (7,371)	(8,949)
	Decrease of 1%	$ 7,371	8,949

F. Fair value

(a) Fair value and carrying amount

Other than those listed below, the Group considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost to be a reasonable approximation of fair value:

	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Available-for-sale financial assets－current	1,219,611	1,219,611	2,460,802	2,460,802
Financial liabilities:				
Financial liabilities at fair value through profit or loss－current	870	870	474	474

(Continued)

	December 31, 2014		December 31, 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds payable (recorded in long-term liabilities, current portion)	-	-	1,487,608	1,508,250

(b) 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:

(i) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative instruments is determined using a discounted cash flow analysis based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.

(ii) Available-for-sale financial assets have an active and open market. Therefore, fair value is based on their market price.

(iii) The fair value of bonds payable is based on the quoted market price in active markets.

(c) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2014				
Available-for-sale financial assets－current	$ 1,219,611	-	-	1,219,611
Financial liabilities at fair value through profit or loss－current	-	870	-	870

(Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets－current	$ 2,460,802	-	-	2,460,802
Bonds payable (recorded in long-term liabilities, current portion)	1,508,250	-	-	1,508,250
Financial liabilities at fair value through profit or loss－current	-	474	-	474

There were no transfers between the levels for the years ended December 31, 2014 and 2013.

(20) Financial risk management

A. Overview

The Group is exposed to the following risks due to usage of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

B. Objectives and policies for managing risk

The main financial instruments of the Group include cash and cash equivalents other than derivative financial instruments that are used to maintain a balance between continuity of funding and flexibility. The other financial assets and liabilities held by the Group, such as accounts receivable and payable, are generated from operating activities.

The Group is exposed to currency risk on foreign currency from operating and financing activities, and the Group uses derivative financial instruments, primarily forward contracts, to hedge its currency risk.

A review of the amount of risk exposure in accordance with the Group's policy revealed no transactions in derivative financial instruments for the purpose of speculation.

(Continued)

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables, beneficiary certificates－mutual funds, and investment.

The Group maintains its cash in various creditworthy financial institutions. Beneficiary certificates include mutual funds that were issued by various creditworthy entities and financial institutions. As a result, the Group believes that there is no concentration of credit risk in cash and cash equivalents and beneficiary certificates.

The Group continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Group has to monitor and review the uncollected accounts receivable regularly. Before delivery it also needs to assess the creditworthy of the customers. For the years ended December 31, 2014 and 2013, except for customer D, the Group does not concentrate its transactions with any single customer or counterparty or any clients within similar areas. Also, the Group had no concentration of credit risk arising from receivables. However, the Group evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

The Group hedges the risk through financial instruments, and primarily uses selected financial instruments and specific banks. For foreign exchange instruments, the Group mainly uses spot and forward exchange contracts, and if necessary, it uses other derivative financial instruments approved by the Board of Directors.

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group have sufficient capital and working capital to fulfill the contract obligations.

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises currency risk, interest risk, and other price risk (such as risk related to equity instruments).

(Continued)

(a) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposures to market risk from changes in interest rates arise primarily from the Group's bank loans with floating interest rates.

(b) Currency risk

Currency risk is the risk that fluctuations in foreign currency exchange rates will adversely affect the future cash flow and fair value of financial instruments. The Group's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a currency different from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

To achieve foreign currency risk management, the Group hedges its forecast sales and purchases over the following three months. The Group also hedges certain trades without considering limits of time.

When the nature of a hedge is not an economic one, the period of the derivatives should correspond to the period of the hedged items according to the Group's policies to maximize hedge effectiveness.

The Company holds net foreign currency borrowings and uses forward exchange contracts to hedge the fluctuation risk. The risk arises from the translation of USD and EUR due to foreign currency transactions.

(c) Other market price risks

The Company manages equity investments, both singly and as a whole, by diversification of investments and sets a limitation on the amount of equity securities. Information on equity securities transactions within the portfolio has to be provided to the top management of the Company regularly, and all buy and sell decisions should be reviewed and approved by the Board of Directors.

(21) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The Group is in a technology- and capital-intensive industry, and to fit in with its long-term scheme for stable and long-term growth, it is critical for the Group to undertake a conservative dividend policy. According to the Company's revised articles of incorporation, cash dividends should not be less than 10% of the sum of cash dividends and stock dividends.

There were no changes in the Group's approach to capital management during the year ended December 31, 2014.

(Continued)

The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2014	December 31, 2013
Total liabilities	$ 12,593,937	11,747,625
Less: cash and cash equivalents	(4,230,147)	(5,408,133)
Net debt	**$ 8,363,790**	**6,339,492**
Total equity	**$ 11,235,498**	**10,522,605**
Debt-to-adjusted-capital ratio	**74.44%**	**60.25%**

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Significant related-party transactions

A. Operating revenue

Related Party Category	For the years ended December 31, 2014	For the years ended December 31, 2013
Entities with significant influence over the Group	$ 514,375	672,852
Associate	2,443	-
	$ 516,818	**672,852**

The selling prices for sales to related parties were determined by the products' fair market value, and the collection terms were 60 to 90 days, which were similar to those for third-party customers.

B. Purchases

Related Party Category	For the years ended December 31, 2014	For the years ended December 31, 2013
Associate	$ 488,465	495,215
Entities with significant influence over the Group	71	-
	$ 488,536	**495,215**

(Continued)

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors. The pricing was based on normal market price, and the payment terms were mainly from 60 to 90 days.

C. Accounts receivable from related parties

Related Party Category		December 31, 2014	December 31, 2013
Entities with significant influence over the Group	$	150,949	168,674
Associate		2,162	-
	$	**153,111**	**168,674**

D. Accounts payable to related parties

Related Party Category		December 31, 2014	December 31, 2013
Associate	$	**83,670**	**100,983**

E. Transactions of property, plant and equipment

(a) Acquisition of property, plant and equipment

The amount of acquisition of property, plant and equipment from related parties and the related unpaid balances were as follows:

Related Party Category		For the years ended December 31, 2014	For the years ended December 31, 2013
Associate	$	24,226	5,446
Entities with significant influence over the Group		3,192	3,543
	$	**27,418**	**8,989**

Related Party Category		December 31, 2014	December 31, 2013
Associate	$	8,157	485
Entities with significant influence over the Group		3,202	3,543
	$	**11,359**	**4,028**

(Continued)

(b) Disposal of property, plant and equipment

The Group disposed of property, plant and equipment to related parties as follows:

Related Party Category	For the years ended December 31, 2014	2013
Associate	$ 354	211

As of December 31, 2014 and 2013, receivables resulting from the above transactions had been settled.

F. Other transactions

The amount paid by the Group to related parties for administrative expenditures and repair expenses, and related unpaid balances were as follows:

Related Party Category	For the years ended December 31, 2014	2013
Entities with significant influence over the Group	$ 18,473	21,114
Associate	2,801	415
	$ 21,274	21,529

Related Party Category	December 31, 2014	2013
Entities with significant influence over the Group	$ 2,040	314
Associate	399	171
	$ 2,439	485

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2014	2013
Short-term employee benefits	$ 72,907	67,133
Post-employment benefits	694	691
Share-based payment	42,276	2,907
	$ 115,877	70,731

Please refer to note 6(15) for further information on share-based payment.

8. Pledged Assets: None.

9. Significant Commitments and Contingencies: Please refer to notes 6(5) and (11).

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

The following is a summary statement of current-period employee benefits, depreciation, and amortization expenses by function:

By function / By item	For the year ended December 31, 2014			For the year ended December 31, 2013		
	Classified as Operating Costs	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Employee benefits						
Salary	2,283,453	1,982,259	4,265,712	1,958,403	1,760,822	3,719,225
Labor and health insurance	75,844	117,400	193,244	58,488	102,539	161,027
Pension	68,403	69,299	137,702	48,364	60,174	108,538
Others	120,446	71,442	191,888	96,438	72,427	168,865
Depreciation (Note)	678,780	241,345	920,125	679,161	221,331	900,492
Amortization	6,018	69,122	75,140	5,942	72,276	78,218

Note: Depreciation of the investment property for the years ended December 31, 2014 and 2013, amounted to $592 and $7,700, respectively, which were deducted from other income.

13. Segment Information

(1) General information

The Group operates predominantly in one industry segment which includes the research and development, manufacture, and sale of satellite communication systems and of mobile and portable communication equipment.

The segment financial information is found in the consolidated financial statements. For sales to other than consolidated entities and income before income tax, please see the consolidated statements of comprehensive income. For assets, see the consolidated balance sheets.

(Continued)

(2) Products and services information

Revenues of the Group from external customers:

	For the years ended December 31, 2014	2013
Wireless communication products	$ 38,993,587	35,501,296
Others	1,333,331	1,152,365
	$ 40,326,918	**36,653,661**

(3) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	For the years ended December 31, 2014	2013
Revenues from external customers:		
Americas	$ 18,708,940	17,882,221
Asia	16,019,933	13,284,958
Europe	5,418,303	5,231,806
Others	179,742	254,676
	$ 40,326,918	**36,653,661**

	December 31, 2014	2013
Non-current assets		
Americas	$ 3,292	834
Asia	5,519,454	5,115,519
	$ 5,522,746	**5,116,353**

(4) Major customer information

Sales to individual customers representing greater than 10% of the revenues were as follows:

	For the years ended December 31, 2014		2013	
	Amount	**% of net sales**	**Amount**	**% of net sales**
Customer D	**$ 6,067,929**	**15**	**7,480,616**	**20**

(Continued)

14. Convenience Translation into United States Dollars

The consolidated financial statements are stated in thousands of New Taiwan Dollars. The amounts have been translated into thousands of United States Dollars solely for the convenience of the readers, using the rate of NT$31.718 to US$1. The convenience translations should not be construed as representations that the New Taiwan Dollar amounts have been, could have been, or could in the future be, converted into United States Dollars at this rate or any other rate of exchange.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2014 and 2013
(expressed in thousands of United States Dollars)

		December 31, 2014		December 31, 2013	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents	$	133,367	18	170,507	24
Available-for-sale financial assets－current		38,452	5	77,584	11
Notes receivable		5,429	1	3,919	1
Accounts receivable, net		226,539	30	165,101	23
Accounts receivable from related parties		4,827	1	5,318	1
Inventories, net		140,864	19	98,960	14
Other financial assets－current		1,818	-	1,270	-
Other current assets		10,581	1	6,928	1
Total current assets		561,877	75	529,587	75
Non-current assets:					
Financial assets carried at cost－non-current		5,393	1	2,520	-
Investments accounted for using equity method		4,377	-	4,087	1
Property, plant and equipment		164,974	22	147,224	21
Investment property, net		-	-	8,654	1
Intangible assets		1,881	-	1,792	-
Deferred tax assets		5,143	1	4,282	1
Refundable deposits		381	-	349	-
Other non-current assets		7,265	1	3,637	1
Total non-current assets		189,414	25	172,545	25
Total assets	**$**	**751,291**	**100**	**702,132**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2014 and 2013
(expressed in thousands of United States Dollars)

		December 31, 2014		December 31, 2013	
Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
Current liabilities:					
Short-term borrowings	$	63,836	9	70,979	10
Financial liabilities at fair value through profit or loss－current		27	-	15	-
Notes and accounts payable		235,562	31	159,404	23
Accounts payable to related parties		3,073	-	3,326	-
Wages and salaries payable		31,522	4	32,371	5
Other accrued expenses		25,042	3	21,635	3
Provisions－current		3,790	1	3,548	-
Long-term liabilities, current portion		-	-	46,901	7
Other current liabilities		19,112	3	19,315	3
Total current liabilities		381,964	51	357,494	51
Non-current liabilities:					
Deferred tax liabilities		14,430	2	12,212	2
Accrued pension liabilities		666	-	671	-
Total non-current liabilities		15,096	2	12,883	2
Total liabilities		397,060	53	370,377	53
Equity:					
Ordinary share capital		103,652	14	101,291	14
Advance receipts for share capital		-	-	387	-
Capital surplus		74,710	10	69,767	10
Retained earnings		173,905	23	163,104	23
Other equity interest		1,964	-	(2,794)	-
Total equity		354,231	47	331,755	47
Total liabilities and equity	**$**	**751,291**	**100**	**702,132**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2014 and 2013
(expressed in thousands of United States Dollars)

	For the years ended December 31,			
	2014		2013	
	Amount	%	Amount	%
1.				
Net operating revenues	$ 1,271,421	100	1,155,610	100
Operating costs	1,100,532	87	991,948	86
Gross profit	170,889	13	163,662	14
Operating expenses:				
Selling	39,718	3	40,152	3
General and administrative	25,378	2	18,437	2
Research and development	51,924	4	48,854	4
Total operating expenses	117,020	9	107,443	9
Net operating income	53,869	4	56,219	5
Non-operating income and expenses:				
Other income	2,325	-	3,932	-
Other gains and losses, net	1,179	-	3,384	-
Finance costs	(1,579)	-	(2,059)	-
Share of profit of associates accounted for using equity method	332	-	322	-
Total non-operating income and expenses	2,257	-	5,579	-
Profit before tax	56,126	4	61,798	5
Tax expense	12,731	1	13,928	1
Profit	**43,395**	**3**	**47,870**	**4**
Other comprehensive income (loss):				
Exchange differences on translation of foreign financial statements	5,977	1	6,439	1
Unrealized gains (losses) on available-for-sale financial assets	(257)	-	140	-
Actuarial losses on defined benefit plans	(173)	-	(256)	-
Less: Income tax relating to components of other comprehensive income	(987)	-	(1,051)	-
Other comprehensive income, net of tax	4,560	1	5,272	1
Total comprehensive income, net of tax	**$ 47,955**	**4**	**53,142**	**5**
Earnings per share (United States Dollars)				
Basic earnings per share	**$**	**0.13**		**0.15**
Diluted earnings per share	**$**	**0.13**		**0.14**

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(expressed in thousands of United States Dollars)

	Ordinary share capital	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Deferred compensation cost	Other equity interest: Total	Total equity
Balance as of January 1, 2013	$ 95,797	218	64,682	31,304	-	108,120	139,424	(2,493)	262	-	(2,231)	297,890
Profit for the period	-	-	-	-	-	47,870	47,870	-	-	-	-	47,870
Other comprehensive income (loss) for the period	-	-	-	-	-	(212)	(212)	5,344	140	-	5,484	5,272
Total comprehensive income (loss) for the period	-	-	-	-	-	47,658	47,658	5,344	140	-	5,484	53,142
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	3,557	-	(3,557)	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	3,409	(3,409)	-	-	-	-	-	-
Cash dividends on ordinary share capital	-	-	-	-	-	(21,101)	(21,101)	-	-	-	-	(21,101)
Stock dividends on ordinary share capital	2,877	-	-	-	-	(2,877)	(2,877)	-	-	-	-	-
Exercise of employee share options	375	169	978	-	-	-	-	-	-	-	-	1,522
Issuance of restricted stock awards	2,242	-	4,107	-	-	-	-	-	-	(6,349)	(6,349)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	302	302	302
Balance as of December 31, 2013	101,291	387	69,767	34,861	3,409	124,834	163,104	2,851	402	(6,047)	(2,794)	331,755
Profit for the period	-	-	-	-	-	43,395	43,395	-	-	-	-	43,395
Other comprehensive income (loss) for the period	-	-	-	-	-	(143)	(143)	4,960	(257)	-	4,703	4,560
Total comprehensive income (loss) for the period	-	-	-	-	-	43,252	43,252	4,960	(257)	-	4,703	47,955
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	4,787	-	(4,787)	-	-	-	-	-	-
Cash dividends on ordinary shares capital	-	-	-	-	-	(30,435)	(30,435)	-	-	-	-	(30,435)
Stock dividends on ordinary shares capital	2,029	-	-	-	-	(2,029)	(2,029)	-	-	-	-	-
Exercise of employee share options	280	(387)	643	-	-	-	-	-	-	-	-	536
Issuance of restricted stock award	123	-	423	-	-	-	-	-	-	(546)	(546)	-
Compensation cost of issued restricted stock awards	-	-	3,806	-	-	13	13	-	-	601	601	4,420
Expiration of restricted stock awards	(71)	-	71	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	$ 103,652	-	74,710	39,648	3,409	130,848	173,905	7,811	145	(5,992)	1,964	354,231

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(expressed in thousands of United States Dollars)

	For the years ended December 31, 2014	2013
Cash flows from operating activities:		
Profit before tax	$ 56,126	61,798
Adjustments:		
Adjustments to reconcile profit (loss) to net cash flows from operating activities		
Depreciation (including depreciation of investment property)	29,028	28,633
Amortization	2,369	2,466
Provision (reversal of provision) for doubtful accounts	1,556	(1,518)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	12	(6)
Interest expense	1,579	2,059
Interest income	(1,110)	(1,079)
Compensation cost of share-based payment	4,420	302
Share of profit of associates accounted for using equity method	(332)	(322)
Gain on disposal of investment	(551)	(240)
Adjustment for other non-cash-related losses, net	866	1,631
Provision for inventory devaluation loss	2,042	1,125
Total adjustments to reconcile profit (loss) to net cash flows from operating activities	39,879	33,051
Changes in operating assets and liabilities:		
Notes receivable	(1,510)	2,571
Accounts receivable	(62,994)	(2,342)
Accounts receivable from related parties	491	1,207
Inventories	(43,946)	5,099
Other operating assets	(8,036)	3,433
Notes and accounts payable	76,158	26,656
Accounts payable to related parties	(253)	880
Other operating liabilities	1,466	9,346
Total changes in operating assets and liabilities	(38,624)	46,850
Total adjustments	1,255	79,901
Cash inflow generated from operations	57,381	141,699
Interest received	1,168	1,051
Interest paid	(1,187)	(1,279)
Income tax paid	(12,462)	(10,533)
Net cash flows from operating activities	44,900	130,938
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(49,530)	(71,275)
Proceeds from disposal of available-for-sale financial assets	88,956	37,772
Acquisition of property, plant and equipment	(34,701)	(20,555)
Proceeds from disposal of property, plant and equipment	37	239
Acquisition of financial assets carried at cost－non-current	(2,873)	-
Acquisition of intangible assets	(2,458)	(2,550)
Increase in refundable deposits	(32)	(68)
Dividends received from an associate	195	-
Net cash used in investing activities	(406)	(56,437)
Cash from financing activities:		
Decrease in short-term borrowings	(7,143)	(32,027)
Repayments of bonds	(47,291)	-
Cash dividends paid	(30,435)	(21,101)
Exercise of employee share options	536	1,522
Net cash used in financing activities	(84,333)	(51,606)
Effect of exchange rate changes	2,699	1,216
Net increase (decrease) in cash and cash equivalents	(37,140)	24,111
Cash and cash equivalents at beginning of period	170,507	146,396
Cash and cash equivalents at end of period	**$ 133,367**	**170,507**

6. Financial Analysis, Financial Performance Analysis, and Risk Management

6.1 Financial Analysis (Consolidated)

6.1.1 Financial Analysis

Unit: Thousand NT$

Item	2014	2013	Increase/Decrease Amount	Change Percentage (%)
Current assets	17,821,608	16,797,438	1,024,170	6.10
Property, plant, and equipment	5,232,640	4,669,660	562,980	12.06
Intangible assets	59,682	56,858	2,824	4.97
Other assets	715,505	746,274	(30,769)	(4.12)
Total assets	23,829,435	22,270,230	1,559,205	7.00
Current liabilities	12,115,123	11,338,995	776,128	6.84
Other liabilities	478,814	408,630	70,184	17.18
Total liabilities	12,593,937	11,747,625	846,312	7.20
Common stock	3,287,634	3,212,730	74,904	2.33
Advance receipts for common stock	-	12,284	(12,284)	(100.00)
Capital surplus	2,369,650	2,212,882	156,768	7.08
Retained earnings	5,515,923	5,173,321	342,602	6.62
Other equity	62,291	(88,612)	150,903	170.30
Stockholders' equity	11,235,498	10,522,605	712,893	6.77

Analysis of items whose increased/decreased amounts are above 20%:

1. "Advance receipts for common stock" decreased due to transferring the advance receipts for common stock to common stock.
2. "Other equity" increased due to an increase of currency exchange differences in the financial statements of organizations engaged in foreign operations.

6.2 Financial Performance Analysis (Consolidated)

6.2.1 Financial Performance Analysis

Unit: Thousand NT$

Item	2014	2013	Increased/ Decreased Amount	Change Percentage (%)
Net operating revenues	40,326,918	36,653,661	3,673,257	10.02
Operating costs	34,906,664	31,462,617	3,444,047	10.95
Gross profit	5,420,254	5,191,044	229,210	4.42
Operating expenses	3,711,627	3,407,908	303,719	8.91
Net operating income	1,708,627	1,783,136	(74,509)	(4.18)
Total non-operating income and expenses	71,562	176,967	(105,405)	(59.56)
Profit before tax	1,780,189	1,960,103	(179,914)	(9.18)
Tax expense	403,801	441,772	(37,971)	(8.60)
Profit	1,376,388	1,518,331	(141,943)	(9.35)

Analysis of items whose increased/decreased amounts are above 20%:

1. The decrease in total non-operating income and expenses is due to a decrease of profits from currency exchange and recovery of 2013 bad debt previously written off.

6.3 Cash Flow Analysis

6.3.1 Cash Flow Analysis for the Last Fiscal Year:

Unit: Thousand NT$

Cash at Beginning	Net Cash Flows from Operating Activities	Cash Flows from Investing and Financing Activities	Effect of Exchange Rate Changes	Cash at End	Contingency Plans for Insufficient Cash Position	
					Investing Activities	Financing Activities
5,408,133	1,424,144	(2,687,746)	85,616	4,230,147	-	-

1. Cash flow analysis:

   Operating activities: A positive cash flow of NT$1,424 million was mainly due to operating profit.

   Investing activities: A negative cash flow of NT$130,000 was mainly due to the acquisition of fixed assets and disposition of open-ended funds.

   Financing activities: A negative cash flow of NT$2,675 million was mainly due to payments of bonds and cash dividends.

6.3.2 Analysis of Cash Flows for the Next Year: None

6.4 Effects of Significant Capital Expenditures on Financial Operation:

None

6.5 Policy for Reinvestment

6.5.1 Investment Policies:

Unit: Thousand NT$

Item / Unit	Dollar Amount	Policy	Main Reasons for Gains or Losses	Improvement Plan	Other Future Investment Plans
Wistron NeWeb (Kunshan) Corporation	481,632	Enhancing the plant's production capacity with business growth	Business volume has been increasing, and there has been steady growth in profits.	-	-

6.6 Risk Management

6.6.1 How does interest rate, exchange rate, or inflation influence Wistron NeWeb Corporation's profits and losses, and how can it manage such risks?

Unit: Thousand NT$

Item	2014
Interest income	35,198
Interest expense	50,085
Exchange gain/(loss)	19,720

Wistron NeWeb Corporation has abundant funds at its disposal; we reinvested the surplus funds after considerable evaluation of the risks involved while closely watching changes in bank lending rates on a regular basis.

Approximately 90.9% of Wistron NeWeb Corporation's revenue from sales was quoted in U.S. dollars, and most of its material-purchasing amounts were also quoted in U.S. dollars. Therefore, the majority of Wistron NeWeb Corporation's currency exchange risk can be reduced and offset by regular import/export activities (natural hedge). The other small amounts of foreign currencies can be exchanged to NT dollars depending on capital needs or market situations.

There was no major inflation influence during the past year on Wistron NeWeb Corporation.

The action plans to cope with the impact from interest rates, exchange rates, and inflation are:
1. Further mutually offset foreign assets and liabilities to avert risk.
2. Make plans and arrangements in advance for fund yields and borrowing costs in light of Wistron NeWeb Corporation's business anticipation and funds requirements.
3. Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

6.6.2 What were the major reasons for Wistron NeWeb Corporation to engage in high-risk or leveraged investments, make loans, make guarantees, or buy derivatives in the last year? What were the reasons for gains or losses in these and what are the future measures for response?

Wistron NeWeb Corporation has not engaged in any high-risk or highly leveraged investments in the past year. It has not loaned funds or endorsed or entered into guarantees for any parties other than the subsidiaries wholly-owned by itself, and no loss has been incurred.

Wistron NeWeb Corporation executed derivatives transactions under the related regulations of the company, and the transactions were within our business scope.

Looking ahead, Wistron NeWeb Corporation will adhere to its existing principles and will not make high-risk and highly leveraged investments. We will only loan to other parties or endorse and enter into guarantees for other parties under Wistron NeWeb Corporation's applicable regulations. Derivatives transactions will be performed strictly in compliance with the Rules and Procedures for Derivative Transactions set forth by Wistron NeWeb Corporation.

6.6.3 R&D planning

1. Future R&D plans
   (1) Satellite communications product series
       Plate-type satellite receiving antenna systems
   (2) Mobile and portable communications product series

IoT sensors and communication modules
High-speed server-level network switches
Biometric mobile-device modules

2. Investment
Wistron NeWeb Corporation will continue to invest in the equipment of the above-mentioned products and recruit outstanding R&D personnel for innovation and development in order to maintain a leading role in the technology and win market opportunities. The investment ratio for R&D expenses for 2015 will be approximately the same as 2014.

6.6.4 The impact of legal and regulatory changes on Wistron NeWeb Corporation's financial performance:

Significant policy and law changes internationally and domestically will be understood by the related responsible personnel and appropriate response measures will be affected.

6.6.5 Impact of technological and industrial changes on Wistron NeWeb Corporation's financial performance:

The technological changes in recent years have no direct impact on Wistron NeWeb Corporation's financial performance. To react to fierce market competition, Wistron NeWeb Corporation will advance product functionality, lower production costs, and exert strict control over operational costs.

6.6.6 Impact of corporate image change on risk management and the related action plan:

Not applicable.

6.6.7 Possible risks relative to the expected gains from acquisitions and their solutions:

Not applicable. Wistron NeWeb Corporation does not have any acquisition plans.

6.6.8 Possible risks relative to the expected gains of plant facility expansion and related solutions:

A feasibility study and financial analysis is conducted by a designated task force for all plant facility expansions to understand all scenarios and prepare appropriate countermeasures.

6.6.9 Supply and distribution concentration:

There is no concentration risk pertaining to suppliers and customers.

6.6.10 How do share transfers made by directors, supervisors or shareholders with 10% or more shareholdings affect Wistron NeWeb Corporation? What are the countermeasures?

None

6.6.11 Impact of management changes on Wistron NeWeb Corporation and action plans:

Major business plans are properly evaluated and then presented as the result of an overall assessment of the industry and market conditions by Wistron NeWeb Corporation's professional managers and executed after approval by the Board of Directors. Wistron NeWeb Corporation has established a complete and organized business structure with each department being distinguished by their assigned responsibilities and duties. The management strategy is fully applied through the implementation of an internal management system and communication between each department. Management is therefore efficient, business results are assured, and the impact of management changes on company operations is reduced significantly.

6.6.12 Where (1) Wistron NeWeb Corporation and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by Wistron NeWeb Corporation are involved in litigious and non-litigious matters that have been concluded by means of a final and unappealable judgment or are still under litigation and (2) where such a dispute could materially affect shareholders' equity or the price of Wistron NeWeb Corporation's stock, the facts of the dispute, amount of money at stake in the dispute, the date of the litigation's commencement, the main parties in the dispute, and the status of the dispute as of the date of printing of this annual report:

None

6.6.13 Other risks:

None

6.7 Other Important Matters

None

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