Stock Code: 6285

Wistron NeWeb Corporation

2016 Annual Report (Translation)

Annual Reports are accessible from the following websites:
http://mops.twse.com.tw
http://www.wnc.com.tw

Publication Date: May 10, 2017

1. Name, Title, and Contact Information for the Company Spokespersons

Spokesperson:	Jona Song	Acting Spokesperson:	Molly Lin
Title:	Chief Financial Officer	Title:	Associate Vice President
E-mail:	spokesman@wnc.com.tw	E-mail:	spokesman@wnc.com.tw
Tel.:	+886-3-666-7799	Tel.:	+886-3-666-7799

2. Address and Telephone Number of the Company's Registered Office and Headquarters

Headquarters: 20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan

Factory: 5 Lihsin Rd. VI, Hsinchu Science Park, Hsinchu 300, Taiwan

Tel.: +886-3-666-7799

3. Address and Contact Information for Wistron NeWeb Corporation Shareholders Services Office

Address: No. 158, Singshan Rd., Neihu Dist., Taipei, 11469, Taiwan

Tel.: +886-2-6600-7998 Website: www.wnc.com.tw

4. Most-recent Address and Contact Information of the Auditing CPA

Name:	Sing-Hai Wei and Hai-Ning Huang	Website:	www.kpmg.com.tw
Auditing CPA:	KPMG	Tel.:	+886-2-8101-6666
Address:	68F, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Road, Taipei 110, Taiwan		

5. For more information about Wistron NeWeb Corporation GDRs: N/A

6. For more information about Wistron NeWeb Corporation, visit: www.wnc.com.tw

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1. Letter to Shareholders

In the past decade, the rapid development of wireless communications has presented WNC with positive growth prospects. On the other side, we always have the goals and strategies for WNC's long-term growth. In the past few years, we have been committed to the market and product development of new technology applications, including broadband networks, smart homes, car networking, Internet of Things ... and so on. In the future, remarkable growth and development will take place in these areas. Driven by market needs and based on long-term good relations with customers, we believe that in the next few years, WNC have opportunities grow to and achieve stable profits.

Financial and Operational Results

In 2016, WNC's consolidated revenue was NT$52.77 billion with an annual growth rate of 1%. Consolidated gross profit was NT$7.31 billion. Consolidated profit before tax was NT$2.63 billion with an annual growth rate of 3.1%, and consolidated profit after tax was NT$2.04 billion. Basic earnings per share were NT$5.95.

Research and Development Status

In the age of the Internet of Things (IoT), regardless of automotive, home, business or industrial areas, the interconnecting and integration solutions are in great demand. As a leader of communications solutions, WNC accelerated the upgrading of cross-platform hardware and software integration capabilities in addition to continuous development of key communications technology. With years of experience involved in antenna design, system integration and applicable interface development, WNC aims to provide professional and flexible communications solutions for IoT.

In 2016, WNC's research achievements won a number of awards. In addition, we were honored with the "Hsinchu Science Park R&D Accomplishment Award" again in this year for the 7th time, our "24GHz Radar System" received both of "CES Innovation Award" and "2016 IT World Awards," and "RFID Smart Shelf System" got "CES Innovation Award" too. Furthermore, as of the end of 2016, WNC has over 1,700 approved patents and patents pending.

Operation and Management

In response to a need for business development and capacity expansion, S1 property, the new plant on Lihsin Rd. VI, Hsinchu Science Park, started operation in June of 2016 and served as WNC's main production site in Taiwan.

In recent years, the global economy has experienced a slow recovery, which has led to challenges such as a highly competitive industry ecology, short product life cycle and intense political and economic condition changes. In order to remain highly competitive in such an ever-changing ICT market, we have strengthened operation management and competitiveness in the markets, developed new products and technologies and optimized our existing value chain though a more holistic perspective, taking sustainable operation as the goal and commitment, and exerting the positive influence on the aspects of economy, environment and society.

In 2016, we were honored with the Target Emerging Market Award, the Award for International Trade from the Bureau of Foreign Trade, and the silver award for the electronic information manufacturing industry of Taiwan Corporate Social Awards. Also, we ranked among the top 50 enterprises in the "Large Enterprises" group for the Excellence in CSR by the Common Wealth Magazine Group. In addition, the results of our Corporate Governance Evaluation rated among the top 20% of all publicly traded companies. We expect that through the "2016 Corporate Social Responsibility Report" we will publish this June, our stakeholders can be fully informed of our endeavors, achievements, and goals.

Future Outlook

Looking towards 2017, WNC will continue to optimize our core capabilities. Based on the four themes of “Automotive & Industrial Solutions,” “Connected Home,” “Network Communications,” and “Sensors & Antenna System,” we will strengthen the partnership with customers and supply chains, grasp the technology trends and market needs, and strive to develop innovative products, to provide our customers with products and services with high quality and high market competitiveness.

As we face a highly competitive market and more diverse customer needs, we will adhere to our core value of “Fundamentals Advocacy,” and remain cautiously optimistic to drive WNC’s development and earn the highest profits for our shareholders by maintaining stable, positive corporate operating growth. On behalf of WNC, 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.

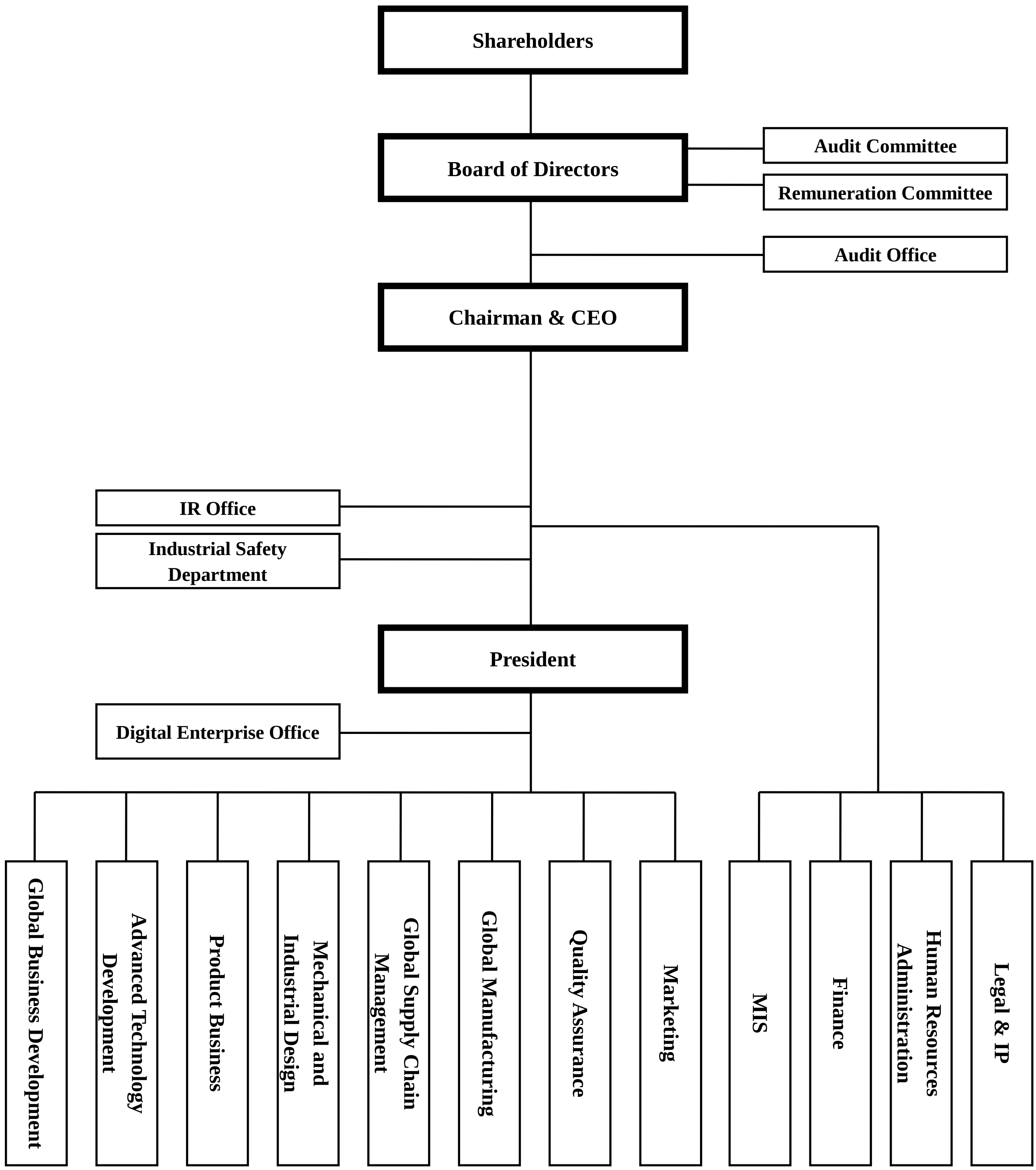
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008	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 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 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 QC 080000 (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 (4G Mobile Hotspot) 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.
Dec.	2012	Received the Industrial Development Bureau, Ministry of Economic Affairs Industrial Sustainable Excellence Award and the Hsinchu Science Park R&D Accomplishment Award.
Jan.	2013	4G Mobile Hotspot received the 2013 CES Innovations Design and Engineering 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 (24GHz Automotive BSD Radar) 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	High Sensitivity RFID Antenna and Reader System received 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.
June	2015	Selected as a component of the Taiwan Corporate Governance 100 Index and the Taiwan High Salary 100 Index by the Taiwan Stock Exchange Corporation (TWSE).
Aug.	2015	Honored with the Excellence in Corporate Social Responsibility top 50 by CommonWealth Magazine in the Large Enterprises group.
Nov.	2015	Awarded the Taiwan Corporate Sustainability Report Award (Silver Award) from the Taiwan Institute for Sustainable Energy.
Dec.	2015	Obtained the CNS 15506: 2011 TOSHMS (Taiwan Occupational Safety & Health Management System) certification.
Dec.	2015	Awarded the Hsinchu Science Park R&D Accomplishment Award.
Jan.	2016	24GHz Radar System and Smart Shelf System received the 2016 CES Innovation Award.
April	2016	S1 site (on Lihsin Rd. VI of the Hsinchu Science Park) obtained its factory registration certificate.
June	2016	24GHz Radar System honored at the 2016 IT World Awards®.
July	2016	Honored with the 2016 Target Emerging Market Award, Award for International Trade from the Bureau of Foreign Trade.
Aug.	2016	Honored with the Excellence in Corporate Social Responsibility top 50 by CommonWealth Magazine in the Large Enterprises group.
Nov.	2016	Awarded the Taiwan Corporate Sustainability Report Award (Silver Award) from the Taiwan Institute for Sustainable Energy.
Dec.	2016	Awarded the Hsinchu Science Park R&D Accomplishment Award.
Dec.	2016	Honored with “Best for Responsibilities of Management & the Board of Directors” and “Best for Shareholders’ Rights & Equitable Treatment” (Across Asia (ex Japan) & Taiwan) in the Asiamoney magazine “Corporate Governance Poll 2016”.

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 Department	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, 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
Advanced 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
Digital Enterprise Office	Responsible for the planning, implementation, and supervising of internal digitalization operations, choosing and optimizing related system platforms, and the operation and improvement of company-wide Industry 4.0 items; also responsible for the design of high-efficiency operations processes as well as using informatization and digitalization tools to improve their efficiency.

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

3.2.1 Information on the Board of Directors (April 18, 2017)

Title	Nationality or Location of Registry	Name	Gender	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	Relationship
Chairman & CEO	R.O.C.	Haydn Hsieh	Male	06/06/2014	3	5,226,652	1.62%	5,681,989	1.61%	531,522	0.15%	Bachelor's	Chairman & CEO of Wistron NeWeb Corp. Director of Wistron Director of AOPEN Director of Apacer Independent Director of Raydium Director of aEnrich Technology Corp.	N/A	N/A	N/A
Director	R.O.C.	Wistron Corp.	N/A	06/06/2014	3	79,780,682	24.79%	85,494,135	24.21%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Frank F.C. Lin	Male	06/06/2014	3	193,762	0.06%	207,636	0.06%	155,773	0.04%	Bachelor's	Chairman of AOPEN Director of Wistron ITS Chairman of WiseCap Chairman of WLB Director of Wiwynn Director of Changing Information Technology Director of Maya International Director of IP Fund Six Co., Ltd. Director of Join-Link International Technology Director of Wistron Medical Tech Holding Company Director of Wistron Digital Technology Holding Company Director of Wistron Medical Technology Corporation Director of Formosoft Director of WiAdvance Technology Co. Supervisor of aEnrich Technology Corp. Chairman of WiseCap (Hong Kong) Limited Director of Hartec Asia Pte. Ltd. Director of Hukui Biotechnology Corporation Chief of Staff of Wistron	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Gender	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	Relation ship
Director	R.O.C.	Wistron Corp.	N/A	06/06/2014	3	79,780,682	24.79%	85,494,135	24.21%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Henry Lin	Male	06/06/2014	3	0	0%	0	0%	0	0%	Master's	Director of Browave Corporate-shareholder representative on the AOPEN board of directors Independent Director of TSRC Corporation Independent Director of RDC Semiconductor Chief Financial Officer of Wistron	N/A	N/A	N/A
Director; President & COO	R.O.C.	Jeffrey Gau	Male	06/06/2014	3	1,956,706	0.61%	2,509,622	0.71%	428,124	0.12%	Ph.D.	Director and President & COO of Wistron NeWeb Corp.	N/A	N/A	N/A
Director	R.O.C.	Max Wu	Male	06/06/2014	3	0	0%	0	0%	0	0%	Bachelor's	Director of Novatek Independent Director of Apacer Supervisor of Antec Director of YODN Lighting Corp. Independent Director of Gigastone Corporation Chairman of Birch Venture Capital Chairman of the NCTU Spring Foundation	N/A	N/A	N/A
Director	R.O.C.	Philip Peng	Male	06/06/2014	3	114,619	0.04%	122,826	0.03%	0	0%	Master's	Director of AOPEN Director of Wistron ITS Corporate-shareholder representative on the Acer board of directors Independent Director of AU Optronics Chairman of Smart Capital Corp. Director & President of iD SoftCapital Corporate-shareholder representative on the Global Strategic Investment Management Inc. board of directors Corporate-shareholder representative on the Dragon Investment Fund I Co. board of directors Corporate-shareholder representative of iD Innovation Inc. on the Supervisor list	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Gender	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	Relation ship
Independent Director	R.O.C.	Robert Hung	Male	06/06/2014	3	0	0%	0	0%	0	0%	Master's	Independent Director of TSRC Corporation	N/A	N/A	N/A
Independent Director	R.O.C.	S.T. Peng	Male	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.	Neng-Pai Lin	Male	06/10/2015	2	0	0%	0	0%	0	0%	Ph.D.	Director of Teco Image Systems Independent Director of Taishin Financial Holding Co., Ltd. Independent Director of Taishin International Bank Co., Ltd. Independent Director of Darfon Electronics Corp. Adjunct Professor at National Taiwan University (NTU)	N/A	N/A	N/A

Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders

April 17, 2017

Name	Major Shareholders	Percentage (%)
Wistron Corporation	Cathay Life Insurance Company Limited	2.46
	Acer Incorporated	1.95
	Management Board of Public Service Pension Fund	1.85
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.76
	Norges Bank	1.64
	Dimensional Emerging Markets Value Fund	1.58
	Lin, Hsien-Ming	1.30
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21
	Credit Suisse Securities (Europe) Limited	1.19
	Morgan Stanley & Co. International Plc	1.02

Major Shareholders of the Institutional Shareholders Listed in the above table

April 23, 2017

Name	Major Shareholders	Percentage (%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd	100.00
Acer Incorporated	Hung Rouan Investment Corp.	2.39
	Stan Shih	2.24
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index funds	1.72
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.17
	Acer GDR	1.08
	Management Board of Public Service Pension Fund	1.04
	The Hartford International Value Fund	0.68
	Polunin Developing Countries Fund, LLC	0.64
	Government of Singapore	0.56
	MSCI Equity Index Fund B - Taiwan	0.55

Professional Qualifications and Independence Analysis of Directors

April 18, 2017

Criteria / Name	Meets one of the following professional qualification requirements, together with at least five years' work experience			Independence criteria*										Number of other public companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Haydn Hsieh			✓	—	—	—	✓	—	—	✓	✓	✓	✓	1
Wistron Corp. Representative: Frank F.C. Lin			✓	—	—	✓	✓	—	—	✓	✓	✓	—	0
Wistron Corp. Representative: Henry Lin			✓	—	—	✓	✓	—	—	✓	✓	✓	—	2
Jeffrey Gau			✓	—	—	✓	✓	✓	—	✓	✓	✓	✓	0
Max Wu			✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	2
Philip Peng			✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	1
S.T. Peng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Robert Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

*Notes: The criterion codes in the table correspond to the below conditions being true of the directors within the two years prior to being elected or during the term of office.

1. Not an employee of WNC or any of its affiliates.
2. Not a director or supervisor of WNC or any of its affiliates. Not applicable in cases where the person is an independent director of WNC, its parent company, or any subsidiary in which WNC holds.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of WNC or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of WNC or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with WNC.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to WNC or to any affiliate of WNC, or a spouse thereof. These restrictions do not apply to any member of the remuneration

committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx”.

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of WNC.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 President, Vice President, Associate Vice Presidents, and Key Managers Background Information

April 18, 2017

Title	Nationality	Name	Gender	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	Relationship
Chairman & CEO	R.O.C.	Haydn Hsieh	Male	06/14/2000	5,681,989	1.61%	531,522	0.15%	0	0%	Bachelor's	Director of Wistron Director of AOPEN Director of Apacer Independent Director of Raydium Director of aEnrich Technology Corp.	N/A	N/A	N/A
Director; President & COO	R.O.C.	Jeffrey Gau	Male	01/01/2008	2,509,622	0.71%	428,124	0.12%	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	Male	08/16/2005	536,705	0.15%	49,108	0.01%	0	0%	Master's	N/A	N/A	N/A	N/A
Senior Vice President & General Manager of Business Group	R.O.C.	Fayu Chen	Male	04/07/2008	289,421	0.08%	335,688	0.10%	0	0%	Ph.D.	N/A	N/A	N/A	N/A
Vice President & General Manager of Business Group	R.O.C.	Johnson Hsu	Male	02/05/2010	412,479	0.12%	0	0%	0	0%	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Jack Liu	Male	03/18/2015	75,437	0.02%	0	0%	0	0%	Ph.D.	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Bird Huang	Male	02/05/2010	155,418	0.04%	0	0%	0	0%	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Ray Lee	Male	02/01/2006	362,737	0.10%	0	0%	0	0%	Bachelor's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Chris Hwang (Note 1)	Male	01/05/2017	108,571	0.03%	0	0%	0	0%	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	TJ Chen (Note 1)	Male	02/05/2010	193,119	0.06%	565	0%	0	0%	Ph.D.	N/A	N/A	N/A	N/A
General Plant Manager	R.O.C.	Andrew Wong	Male	12/01/2009	205,524	0.06%	0	0%	0	0%	Bachelor's	N/A	N/A	N/A	N/A

Title	Nationality	Name	Gender	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	Relationship
Chief Financial Officer	R.O.C.	Jona Song	Female	01/01/2002	525,476	0.15%	0	0%	0	0%	Bachelor's	N/A	N/A	N/A	N/A
Chief Technology Officer	R.O.C.	Horen Chen	Male	11/05/2013	928,316	0.26%	0	0%	0	0%	Ph.D.	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Apollo Shyong	Male	04/05/2012	280,448	0.08%	0	0%	0	0%	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Dennis Kung	Male	11/05/2013	66,150	0.02%	0	0%	0	0%	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Michael SY Chen (Note 2)	Male	04/05/2012	-	-	-	-	-	-	Master's	N/A	N/A	N/A	N/A
Chief Logistics Officer	R.O.C.	Jasmine Huang (Note 3)	Female	08/16/2005	-	-	-	-	-	-	Bachelor's	N/A	N/A	N/A	N/A

Note 1: Mr. Chris Hwang and Mr. TJ Chen were promoted to Vice President on Jan. 5, 2017.
Note 2: Mr. Michael SY Chen served as Associate Vice President until Jan. 5, 2017.
Note 3: Ms. Jasmine Huang served as Chief Logistics Officer until her retirement on Jan. 5, 2017.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

1. Remuneration of Directors (Including Independent Directors)

As of Dec. 31, 2016; Unit: Thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note3)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company’s Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Compensation to Directors (C)</th><th colspan="2">Payment for professional practice (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Profit-Sharing Employee Bonus (G)</th></tr>
<tr><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th colspan="2">From WNC</th><th colspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th></tr>
<tr><th></th><th></th><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Haydn Hsieh</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">19,723 (Note1)</td><td rowspan="9">19,723 (Note1)</td><td rowspan="9">510</td><td rowspan="9">510</td><td rowspan="9">0.99</td><td rowspan="9">0.99</td><td rowspan="9">54,174</td><td rowspan="9">54,174</td><td rowspan="9">294</td><td rowspan="9">294</td><td rowspan="9">(Note2)</td><td rowspan="9">(Note2)</td><td rowspan="9">(Note2)</td><td rowspan="9">(Note2)</td><td rowspan="9">3.66</td><td rowspan="9">3.66</td><td rowspan="9">None</td></tr>
<tr><td>Director</td><td>Wistron Corp. Representative: Frank F. C. Lin</td></tr>
<tr><td>Director</td><td>Wistron Corp. Representative: Henry Lin</td></tr>
<tr><td>Director</td><td>Jeffrey Gau</td></tr>
<tr><td>Director</td><td>Max Wu</td></tr>
<tr><td>Director</td><td>Philip Peng</td></tr>
<tr><td>Independent Director</td><td>S. T. Peng</td></tr>
<tr><td>Independent Director</td><td>Robert Hung</td></tr>
<tr><td>Independent Director</td><td>Neng-Pai Lin</td></tr>
<tr><td colspan="23">*Except for the remuneration listed in the above table, the remuneration that directors received by offering services (such as serving as a consultant instead of an employee) for companies in the consolidated financial statements is: None</td></tr>
</table>

Note1: Based on the amount approved at the BOD meeting held on March 15, 2017

Note2: Not available because the list for the distribution of employee bonuses was not determined as of the completion date of the annual report; if last year’s percentage is adopted, the estimated bonus will be NT$9,855,222 in cash.

Note3: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report; “Profit-Sharing Employee Bonuses” amounts are excluded from the calculation for this column.

Range of Remuneration

Range of Remuneration	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G) (Note 7)	
	From WNC	From all companies in the consolidated financial statements (H)	From WNC	From all companies in the consolidated financial statements (I)
Under NT$2,000,000	4 directors; Note 1	Same as the left column	3 directors; Note 3	Same as the left column
NT$2,000,000–NT$4,999,999	5 directors; Note 2	Same as the left column	4 directors; Note 4	Same as the left column
NT$5,000,000–NT$9,999,999				
NT$10,000,000–NT$14,999,999				
NT$15,000,000–NT$29,999,999			1 director; Note 5	Same as the left column
NT$30,000,000–NT$49,999,999			1 director; Note 6	Same as the left column
NT$50,000,000–NT$99,999,999				
Over NT$99,999,999				
Total	9	9	9	9

Note 1: Jeffrey Gau, Max Wu, Philip Peng, S. T. Peng
Note 2: Wistron Corp. Representatives Frank F. C. Lin and Henry Lin; Haydn Hsieh, Robert Hung, Neng-Pai Lin
Note 3: Max Wu, Philip Peng, S. T. Peng
Note 4: Wistron Corp. Representatives Frank F. C. Lin and Henry Lin; Robert Hung, Neng-Pai Lin
Note 5: Jeffrey Gau
Note 6: Haydn Hsieh
Note 7: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report; "Profit-Sharing Employee Bonuses" are excluded from the calculation for this column.

2. Remuneration of Supervisors: Not applicable

   Range of Remuneration: Not applicable

3. Remuneration of the President and Vice President

As of Dec. 31, 2016; Unit: Thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Profit-Sharing Employee Bonus (D)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to Net Income (%) (Note2)</th><th rowspan="3">Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th colspan="2">From WNC</th><th colspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman & CEO</td><td>Haydn Hsieh</td><td rowspan="8">24,734</td><td rowspan="8">24,734</td><td rowspan="8">1,106</td><td rowspan="8">1,106</td><td rowspan="8">94,475</td><td rowspan="8">94,475</td><td rowspan="8">(Note1)</td><td rowspan="8">(Note1)</td><td rowspan="8">(Note1)</td><td rowspan="8">(Note1)</td><td rowspan="8">5.89</td><td rowspan="8">5.89</td><td rowspan="8">None</td></tr>
<tr><td>Director;
President & COO</td><td>Jeffrey Gau</td></tr>
<tr><td>Senior Vice President & General Manager of Business Group</td><td>Larry Lee</td></tr>
<tr><td>Senior Vice President & General Manager of Business Group</td><td>Fayu Chen</td></tr>
<tr><td>Vice President & General Manager of Business Group</td><td>Johnson Hsu</td></tr>
<tr><td>Vice President</td><td>Jack Liu</td></tr>
<tr><td>Vice President</td><td>Bird Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lee</td></tr>
</table>

Note1: Not available because the list for the distribution of employee bonuses was not determined as of the completion date of the annual report; if the percentage used the last year is adopted, the estimated bonus will be NT$18,026,844 in cash.

Note2: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report; "Profit-Sharing Employee Bonuses" are excluded from the calculation for this column.

Range of Remuneration

Range of Remuneration	Name of President and Vice President (Note 4)	
	From WNC	From all companies in the consolidated financial statements
Under NT$2,000,000		
NT$2,000,000–NT$4,999,999		
NT$5,000,000–NT$9,999,999	3 directors; Note 1	Same as the left column
NT$10,000,000–NT$14,999,999	3 directors; Note 2	Same as the left column
NT$15,000,000–NT$29,999,999	2 directors; Note 3	Same as the left column
NT$30,000,000–NT$49,999,999		
NT$50,000,000–NT$99,999,999		
Over NT$99,999,999		
Total	8	8

Note 1: Jack Liu, Bird Huang, Ray Lee
Note 2: Larry Lee, Fayu Chen, Johnson Hsu
Note 3: Haydn Hsieh, Jeffrey Gau
Note 4: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report; “Profit-Sharing Employee Bonuses” are excluded from the calculation for this column.

4. Names of Executive Officers Receiving Employee Bonuses and Their Distribution:

As of Dec. 31, 2016; Unit: Thousand NT$

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Employee Bonus
- in Stock
(Fair Market Value)</th><th>Employee Bonus
- in Cash
(Note 4)</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="16">Executive Officers</td><td>Chairman & CEO</td><td>Haydn Hsieh</td><td rowspan="16">0</td><td rowspan="16">25,767</td><td rowspan="16">25,767</td><td rowspan="16">1.26</td></tr>
<tr><td>Director;
President & COO</td><td>Jeffrey Gau</td></tr>
<tr><td>Senior Vice President & General Manager of Business Group</td><td>Larry Lee</td></tr>
<tr><td>Senior Vice President & General Manager of Business Group</td><td>Fayu Chen</td></tr>
<tr><td>Vice President & General Manager of Business Group</td><td>Johnson Hsu</td></tr>
<tr><td>Vice President</td><td>Jack Liu</td></tr>
<tr><td>Vice President</td><td>Bird Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lee</td></tr>
<tr><td>Associate Vice President</td><td>TJ Chen
(Note 1)</td></tr>
<tr><td>General Plant Manager</td><td>Andrew Wong</td></tr>
<tr><td>Chief Financial Officer</td><td>Jona Song</td></tr>
<tr><td>Chief Technology Officer</td><td>Horen Chen</td></tr>
<tr><td>Associate Vice President</td><td>Apollo Shyong</td></tr>
<tr><td>Associate Vice President</td><td>Dennis Kung</td></tr>
<tr><td>Associate Vice President</td><td>Michael SY Chen
(Note 2)</td></tr>
<tr><td>Chief Logistics Officer</td><td>Jasmine Huang
(Note 3)</td></tr>
</table>

Note 1: Mr. TJ Chen was promoted to Vice President on Jan. 5, 2017.
Note 2: Mr. Michael SY Chen served as Associate Vice President until Jan. 5, 2017.
Note 3: Ms. Jasmine Huang served as Chief Logistics Officer until her retirement on Jan. 5, 2017.
Note 4: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report. The table is an estimation based on the percentage during the last year.

3.2.4 Analysis and Comparison of the Ratio of Total Remuneration Paid by WNC and by All Companies Included in the Consolidated Financial Statements for the Two Most Recent Fiscal Years to Directors, Supervisors, Presidents, and Vice Presidents to Net Income and the Analysis of the Remuneration Policy, Standards and Portfolios, Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks

1. Ratio of total remuneration paid by WNC and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents to net income

Titles	Ratio of Total Remuneration Paid to Directors, Supervisors, Presidents and Vice Presidents to Net Income (%)	
	2016	2015
Directors	0.99%	1.00%
Presidents and Vice Presidents	5.89% (Note)	6.49%

Note: The list for the distribution of employee bonuses was not determined as of the completion date of the annual report. Employee bonuses are excluded from the calculation for this column.

2. Remuneration payment policies for directors were specified in Article 18 of WNC's "Articles of Incorporation": "If WNC shows an annual profit (the profit herein indicates the pretax profit without deducting the remuneration to employees and directors), the profit will be appropriated in accordance with the following. However, the amount to make up any accumulated losses shall be set aside:…2. No more than one percent (1%) as remuneration in cash to directors."

3. WNC's remuneration for the President and Vice Presidents includes regular payments such as salaries, fixed bonuses, and other welfare and variable items such as performance-related bonuses (in cash and/or stock), stock (RSA/treasury stocks), and stock options. Regular payments are determined based on the average levels within the industry to maintain WNC's competitiveness.
   Payment of variable items is determined based on WNC's profit performance and the performance of each employee. A higher ratio of variable items to annual remuneration indicates a better performance of WNC and each employee. Performance evaluations are conducted based on the achievement rate of annual operation goals, profit rate, growth rate, operation benefits, and future potential. The evaluation standards, goals, and weighting are specified at the beginning of each year based on the internal and external operating environment. Issuance of variable items shall be determined according to evaluation results and the current remuneration status of related industries and shall be assessed and approved by the Remuneration Committee before requesting the BOD's approval before issuing the variable items.

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			Discrepancies / Reasons
	Yes	No	Description	
1. Does the company establish and disclose its own corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx 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
2. Shareholding structure and shareholders' rights (1) Does the company establish an internal process for handling shareholders' proposals, questions, disputes, and lawsuits? (2) Does the company maintain information on the identities of major shareholders and their ultimate controlling persons? (3) Does the company establish and implement a risk control mechanism and firewalls between the company and its affiliates? (4) Does the company establish internal regulations to prevent insider trading?	 ✓ ✓ ✓ ✓		(1) WNC has designated the Shareholders Service Office (TEL: +886-2-6600-7998) to handle shareholders' proposals and disputes. (2) 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. (3) WNC has established the appropriate risk control mechanisms and firewalls according to regulations and internal rules, such as rules for supervision over subsidiaries, Procedures Governing Endorsements and Guarantees, Procedures Governing Loaning of Funds, and Procedures for Acquisition or Disposal of Assets. (4) WNC has established procedures to control the disclosure of material information and to prevent insider trading.	None
3. Composition and duties of Board of Directors (1) Does the Board of Directors establish and implement plans to diversify the composition of its members? (2) Does the company	 ✓ ✓		(1) 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. (2) If there is a need, WNC will set up functional	None

Evaluation Item	Implementation Status			Discrepancies / Reasons
	Yes	No	Description	
spontaneously set up functional committees other than the remuneration committee and audit committee required by law?			committees other than the remuneration committee and audit committee.	
(3) Does the company establish performance evaluation measures/methods for the Board of Directors and conduct regular, annual evaluations?	✓		(3) There are currently no such measures. WNC will study and propose related measures based on actual requirements.	
(4) Does the company conduct regular evaluation of the independence of the CPA?	✓		(4) The Audit Committee and the Board of Directors shall annually evaluate the independence, competence, and expertise of the CPA and request the CPA submit a statement of their independence every year to ensure that they are not involved in other financial interests or business relationships except for matters relating to the attestation fees and the finance/taxation audit service fees paid by WNC. The CPA shall only be recruited and be involved in the audits after being confirmed of their corporate family members' compliance with the related independence requests.	
4. Does the company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to the law, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)?	✓		WNC's Finance Division currently serves as the part-time corporate governance unit. It is responsible for furnishing information required for business execution by directors, handling matters relating to board meetings and shareholders meetings according to applicable laws, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings.	None
5. Does the company establish communication channels with stakeholders (including but not limited to shareholders,	✓		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	None

Evaluation Item	Implementation Status			Discrepancies / Reasons
	Yes	No	Description	
employees, customers, and suppliers), create a stakeholders section on its company website, and respond to stakeholders' questions on corporate responsibilities?			2016 CSR report and the CSR page of WNC's website.	
6. Does the company engage a professional agency to handle shareholder services relating to the annual shareholders' meeting?	✓		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.	None
7. Disclosure of information (1) Does the company utilize a website to disclose finance, operational, and corporate information? (2) Are there other means of disclosing information (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors' conference)?	 ✓ ✓		 (1) 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. (2) WNC has one chief spokesperson (Jona Song, Chief Financial Officer) and one acting spokesperson (Molly Lin, Associate Vice President) and has also designated a team responsible for gathering and disclosing information on both the Chinese-language and English-language websites.	None
8. Are there other important discourses that help shareholders to understand the enforcement of corporate governance of the company (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and	✓		(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) In 2016, each member of WNC's Board of Directors attended relevant training courses between 6 to 12 hours. (4) WNC establishes internal management systems based on laws and regulations to conduct risk management. Internal audit personnel also conduct regular audits for WNC's risk management. (5) WNC maintains stable and close relationships with customers to obtain stable and reasonable	None

Evaluation Item	Implementation Status			Discrepancies / Reasons
	Yes	No	Description	
purchasing liability insurance for directors)?			profits. (6) WNC has purchased liability insurance for Directors and other key employees. (7) For more details, please refer to WNC's CSR report.	
9. Please describe the improvements made in response to the most recent corporate governance assessment results published by the Taiwan Stock Exchange and provide the priority items and measures for deficiencies that are not yet addressed.	✓		WNC has conducted a corporate governance self-assessment for year 2016 based on the regulations of the Taiwan Stock Exchange and published the assessment results in April 2017. The results indicate that WNC's performance ranked among the first 6% to 20% of all companies.	None

3.3.2 Composition, Responsibilities, and Operations of the Remuneration Committee

WNC established its Remuneration Committee after the Board of Directors passed a resolution on October 26, 2011. The Committee is responsible for constructing and regularly reviewing the policies, systems, standards, and structure of the performance evaluation and the directors' and executives' remuneration. The Committee will also regularly assess and determine the directors' and executives' remuneration. The directors' and executives' remuneration is linked with WNC's business performance and objectives to attract high-quality talent and enhance WNC's competitiveness.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company
Independent Director	S. T. Peng	✓		✓
Independent Director	Robert Hung			✓
Independent Director	Neng-Pai Lin	✓		✓

Title	Criteria / Name	Independence Criteria*								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		1	2	3	4	5	6	7	8		
Independent Director	S. T. Peng	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Robert Hung	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Neng-Pai Lin	✓	✓	✓	✓	✓	✓	✓	✓	4	

*Notes: The ticked boxes in the table correspond to the below conditions being true of the director during the two years prior to being elected or during the term(s) of office.

1. Not an employee of WNC or any of its affiliates.
2. Not a director or supervisor of WNC or any of its affiliated companies. Not applicable in cases where the person is an independent director of WNC, its parent company, or any subsidiary in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of WNC, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of WNC, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with WNC.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole

proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to WNC or to any affiliate of WNC, or a spouse thereof.

8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are three members on the Remuneration Committee whose terms are from June 6, 2014 – June 5, 2017. A total of four Remuneration Committee meetings were held in 2016. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate	Remarks
Convener	Neng-Pai Lin	4	0	100%	
Committee Member	S.T. Peng	4	0	100%	
Committee Member	Robert Hung	4	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.

3.3.3 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
1. Exercise of Corporate Governance				None
(1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?	✓		(1) WNC has established the WNC Corporate Social Responsibility policies to demonstrate our resolve in implementing CSR's economic, environmental, and social aspects. In order to conduct effective management and promotion for measures related to corporate governance, ethical corporate management, and corporate social responsibilities, WNC has followed the recommendations of the TWSE and established, amended, and secured approval from the Board of Directors for 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.	
(2) Does the company regularly conduct training related to social responsibility?	✓		(2) In addition to administering CSR/EICC online training courses during new-employees' and managers' training courses to promote CSR/EICC awareness and policies, WNC also conducts related online or live courses based on the requirements of laws, regulations, customers, and policy implementation. In 2015, WNC issued the "WNC CSR Handbook" to strengthen employees' understanding of CSR and EICC regulations.	
(3) Does the company establish exclusively (or concurrently) dedicated units in charge of proposing and enforcing	✓		(3) The WNC EICC Management Committee is established both at the WNC Headquarters in Taiwan and at the main production sites in China. The committee directs WNC's CSR and EICC implementation efforts. The	

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
CSR policy? Does the Board of 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?			Chairman & CEO serves as the highest-level manager to report issues to. Major issues shall be submitted to the Board of Directors for authorization and approval. The WNC EICC Management Committee consists of the Environmental Group, Health and Safety Group, Labor Group, Ethics Group, and Management System Group. Each functional unit shall assign representatives to serve as the officers for each group, and the officers shall convene management review meetings every year to discuss corporate social responsibility and the EICC-related issues or convene interim meetings to discuss specific issues according to customer needs. With regard to issues related to each group, relevant functional units including the Global Supply Chain Management Division, Quality Assurance Division, Finance Division, Human Resources Administration Division, Management Information System Division, Marketing Division, and Legal & IP Center are responsible for the items' discussion and resolution, as well as the execution and review of the resolution items. 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 and approving the CSR-related issues reported by the EICC Management Committee or related functional units. 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	✓		(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	

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
effective reward and discipline system?			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 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 section 3.3 Overall Remuneration in WNC's 2016 CSR 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	✓ ✓		(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	None

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
environmental-management systems based on the characteristics of different industries?			accompanying trends. In addition to complying with all local environmental-protection laws and regulations, WNC also proactively fulfills customer needs to jointly implement environmental-management systems and green-product management systems with its suppliers. The WNC Taiwan headquarters and the main production sites in China 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 section 2.3 Risk Management, section 4.3 Carbon Emissions Management, and section 4.4 Energy Management in WNC's 2016 CSR 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 EICC Management Committee in July of 2012 and adopted its own WNC EICC Code of Conduct. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers. For details, please refer to section 3.1	

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			Respect Human Rights in WNC's 2016 CSR 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 section 2.2.4 Grievance Mechanisms in WNC's 2016 CSR 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. 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. The OHSAS 18001 internal audits and third-party examinations are regularly conducted every year to verify the operating status of the occupational safety and health management system and to ensure it is continuously improving. In addition, the WNC Taiwan headquarters and S1 earned CNS 15506: 2011 certification (Taiwan Occupational Safety and Health Management System, TOSHMS) in 2015 and 2016 respectively. For details, please refer to section 3.5.1 Occupational Health and Safety Management of WNC's 2016 CSR Report.	
(4) Has the company established a regular communication mechanism and does it use reasonable methods to inform employees of critical operational changes?	✓		(4) The WNC Taiwan headquarters has established an Employee Representative Committee and an Employee Welfare Committee both of which regularly convene quarterly meetings and publish the meeting minutes after each meeting. Furthermore, suggestion boxes are installed in the production-line lounge for DL employees to directly report issues or suggestions to the Plant Manager related to work and life. In addition to regular communication channels,	

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			WNC also conducts an employee satisfaction survey and seminars on a random basis to further ensure a smooth relationship between the management and employees. For WNC China sites, labor unions are established and relevant seminars are also conducted. Meanwhile, the physical suggestion boxes in the production line area, office area, and the dormitories, the Plant Manager's Mailbox, and an "8585 (help-me-help-me)" hotline serve as the main communication channel. WNC (Kunshan) Corporation also established a communication mechanism on the WeChat messaging platform which enables automatic announcement of activities related to the company and on-line consulting and assistance. For details, please refer to section 3.1.3 Communication Mechanisms of WNC's 2016 CSR 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 section 3.4 Training and Development of WNC's 2016 CSR 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's 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 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	

Evaluation Item	Implementation Status			Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			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's customers address product-marketing matters 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.	
(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	✓		(1) In addition to uploading the CSR report to the Market Observation Post System, a	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from CSR Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>related to or has an impact on the company's CSR activities on its company website and the Market Observation Post System?</td><td></td><td></td><td>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.</td><td></td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">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=csr</td></tr>
<tr><td colspan="5">7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below:
WNC's 2016 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.</td></tr>
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3.3.4 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) In order to demonstrate WNC's willingness to shoulder its social and environmental responsibilities, comply with corporate ethics, enhance the company's image, and comply with the international trend of placing closer attention to the development of labor, health and safety, environmental protection, and ethics, WNC is committed to the implementation of the EICC management system and its relevant guidelines. On July 17, 2012, WNC established the EICC Management Committee and appointed the Chief Quality Officer to serve as the management representative of the EICC Management System to be responsible for the establishment, implementation, and maintenance of the management system. WNC formulated its "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct", "Procedures for Ethical Management and Guidelines for Conduct", "Supplier Corporate Social Responsibility Code of Conduct", and "WNC EICC Code of Conduct" for employees to follow. In addition, WNC has disclosed the company's ethics policies and required that all of its employees and major suppliers sign the commitment for code of ethics.	None
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of	✓		(2) WNC has formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form of reporting unlawful conduct. An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on WNC's website.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?				
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) With regard to units and personnel members encountering situations with higher potential of unethical conduct, WNC administers training and education and compiles with relevant job execution handbooks to increase employee knowledge and provide relevant guidelines. Internal auditing and regular job rotation are also implemented to reduce relevant risks. In addition, "WNC Intellectual Property Rights Management Measures" was formulated to strengthen the protection of the company's trade secrets and intellectual property rights.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) WNC has formulated the "WNC EICC Code of Conduct" for stakeholders such as our affiliated enterprises, employees, and suppliers to follow and observe. The Code is divided into five parts: a. Labor b. Health and Safety c. Environment d. Ethics e. Management System WNC has required that its major suppliers sign the EICC Code of Conduct and commit to complying with the relevant provisions of the Code.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate	✓		(2) WNC designates the Human Resources Administration Division as the responsible unit in charge of the amendment, interpretation, and advisory services with respect to the "Procedures for Ethical Management and Guidelines for Conduct" and the recording and filing of reports. The Audit Office shall	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
integrity?			monitor the implementation of these Procedures and Guidelines and submit regular reports to the CEO. Circumstances deem severe will be reported to the Board of Directors.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on the WNC website. In addition, WNC has formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form of reporting incidences of unlawful conduct.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) Pursuant to legal requirements, WNC established the Audit Office, which is independent of the company and is directly under the Board of Directors. Its business scope includes all the operations of WNC and its subsidiaries. Auditing is performed in accordance with the audit plan which has been approved by the Board of Directors. The audit plan is formulated based on identified risks, and the Audit Office performs project audits when necessary and provides the management with information regarding existing faults or potential risks in a timely manner. The Audit Office reports its auditing business to the Audit Committee on a regular basis and attends the Board meetings to report to the Chairman, the Audit Committee, and the CEO when necessary.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) WNC provides the "Supplier Corporate Social Responsibility Code of Conduct" e-learning courses to suppliers and offers counseling (training and field visits) to important major suppliers. For employees, WNC administers the "WNC CSR & EICC introduction" e-learning courses to enable employees to understand WNC's corporate social responsibilities and the "WNC EICC Code of Conduct".	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Operation of the integrity channel				None
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) WNC's Human Resources Administration Division is tasked with establishing complaint channels and handling employee complaints and disciplinary matters. In addition to the written reporting mechanism, an independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on the WNC website.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2) WNC has formulated the "WNC Reporting and Handling Procedure" that clearly specifies the responsible person for processing the reported matters. The reporting and handling procedure and the violation report form are utilized to detail the handling procedure and record the issue and handling results in writing. In 2016, there were no cases of reporting.	
(3) Does the company provide proper whistleblower protection?	✓		(3) The "WNC Reporting and Handling Procedure" specifies that the responsible unit will ensure the secrecy of the identities of the reporting parties and that they are not open to retaliation.	
4. Strengthening information disclosure				None
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(1) WNC publishes the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct", and "Procedures for Ethical Management and Guidelines for Conduct" on the company's internal website for employees to check at any time. (2) WNC publishes the WNC CSR Report to elaborate on its ethical management policies and implementation results, and the information is disclosed on the company website at http://www.wnc.com.tw/index.php?action=csr.	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			(3) WNC also publishes its “Ethical Corporate Management Best-Practice Principles” and “Code of Ethical Conduct” on the Market Observation Post System.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). WNC clearly discloses its ethics policies through education and training (including orientation), announcements on the company’s internal website, integration of new practices into the company’s work regulations, and formal announcements. WNC also requires that all its employees (including newly recruited members) and major suppliers sign the commitment for code of ethics and uphold the highest ethical standards during business interactions. Any/all forms of corruption, extortion, blackmail, embezzlement, and misappropriation of public funds and/or company properties are prohibited. Also, bribes or any other form of improper advantage must not be provided or accepted.				

4. Capital Overview

4.1 Capital and Shares

4.1.1 Type of Stock

As of April 18, 2017; Unit: Shares

Type of Stock	Authorized Capital			Remarks
	Issued	Un-issued	Total	
Common stocks	353,117,205	146,882,795	500,000,000	Employee stock options: 25,000,000 shares

4.1.2 Related Information for Shelf Registration: None

4.1.3 Sources of Capital

Unit: Shares; NT$

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Value	Shares	Value	Sources of Capital (NT$ thousand)	Capital Increased by Assets Other than Cash
01/2016	10	500,000,000	5,000,000,000	335,224,633	3,352,246,330	Cancellation of Restricted Stock Awards: 940	None
08/2016	10	500,000,000	5,000,000,000	345,281,371	3,452,813,710	Appropriations of earnings in stock dividends: 100,567	None
11/2016	10	500,000,000	5,000,000,000	352,271,371	3,522,713,710	Restricted Stock Awards: 69,900	None
12/2016	10	500,000,000	5,000,000,000	352,845,394	3,528,453,940	Conversion of corporate bonds into shares: 574,023 shares	None
01/2017	10	500,000,000	5,000,000,000	352,697,394	3,526,973,940	Cancellation of Restricted Stock Awards: 148,000 shares	None
03/2017	10	500,000,000	5,000,000,000	353,117,205	3,531,172,050	Conversion of corporate bonds into shares: 419,811 shares	None

4.1.4 Composition of Shareholders

As of April 18, 2017; Unit: Shares; %

Item	Shareholder Types					
	Government Agencies	Financial Institutions	Other Institutional Shareholders	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	6	6	151	234	24,811	25,208
Shareholding (shares)	28,419,076	1,254,271	134,487,863	95,684,700	93,271,295	353,117,205
Percentage	8.05	0.36	38.08	27.10	26.41	100.00

4.1.5 Shareholding Distribution Status

As of April 18, 2017; Unit: Shares; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1–999	11,097	1,881,278	0.53
1,000–5,000	10,859	21,407,684	6.06
5,001–10,000	1,588	11,538,828	3.27
10,001–15,000	533	6,490,515	1.84
15,001–20,000	265	4,791,363	1.36
20,001–30,000	247	5,989,250	1.70
30,001–50,000	224	8,733,087	2.47
50,001–100,000	159	11,443,775	3.24
100,001–200,000	89	12,191,439	3.45
200,001–400,000	48	12,949,357	3.67
400,001–600,000	38	18,101,009	5.13
600,001–800,000	12	7,962,651	2.25
800,001–1,000,000	12	10,792,860	3.06
1,000,001 or over	37	218,844,109	61.97
Total	25,208	353,117,205	100.00

4.1.6 Major Shareholders

As of April 18, 2017; Unit: Shares; %

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Wistron Corporation	85,494,135	24.21
Labor Pension Fund (New Scheme)	17,536,609	4.97
Cathay Life Insurance Company Limited	14,566,929	4.13
Pictet Global Selection Fund - Global High Yield Emerging Equities Fund	9,134,410	2.59
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price New Asia Fund	8,973,000	2.54
Bank SinoPac in custody for Wistron NeWeb Corp.'s Restricted Stock Trust Fund (issued in 2016)	6,990,000	1.98
JPMorgan Chase Bank N.A. Taipei Branch in custody for the investments of University Pension Plan Incorporated	6,558,000	1.86
Haydn Hsieh	5,681,989	1.61
Fidelity Investment Trust: Fidelity Series Emerging Markets Fund	5,559,800	1.57
Labor Pension Fund	5,284,769	1.50

4.1.7 Market Price, Net Worth, Earnings, and Dividends per Share During the Most Recent Two Years

Unit: NT$

Item \ Year			2015	2016	Jan. 1, 2017– Mar. 31, 2017
Market Price per Share	Highest Market Price		100	102	95.2
	Lowest Market Price		54	72.1	83.5
	Average Market Price		78.21	86.04	89.16
Net Worth per Share	Before Distribution		36.96	37.34	38.4
	After Distribution		33.26	(Note 1)	—
Earnings per Share	Weighted Average Shares (unit: thousand shares)		330,627	343,275	345,995
	Earnings Per Share	Current	5.97	5.95	1.67
		Adjusted	5.80	(Note 1)	—
Dividends per Share	Cash Dividends		3.7	(Note 1)	—
	Stock Dividends	Dividends from Retained Earnings	0.3	(Note 1)	—
		Dividends from Capital Surplus	0	(Note 1)	—
	Accumulated Undistributed Dividends		0	(Note 1)	—
Return on Investment	Price / Earnings Ratio (Note 2)		13.10	14.46	—
	Price / Dividend Ratio (Note 3)		21.14	(Note 1)	—
	Cash Dividend Yield Rate (Note 4)		4.73%	(Note 1)	—

Note 1: Distribution of earnings has not yet been ratified because the 2017 shareholder's meeting has not yet convened.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.8 Dividend Policy and Implementation Status

1. Dividend policy
   If WNC shows a year-end after-tax profit, it shall firstly make up any accumulated losses. Thereafter a 10% appropriation of the remaining amount shall be set aside towards the legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities.
   Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings at beginning of period, shall be proposed, with no less than 10% as dividends to shareholders, by the Board of Directors and ratified at the shareholders' meeting.
   In consideration that WNC is involved in a capital- and technologically-intensive industry and in consideration that WNC is expanding and to ensure its continued and steady growth, a long-term investment plan must be adopted. Therefore, WNC adopts a residual dividend policy as its dividend policy. The cash dividends shall not be less than 10% of the total dividends.

2. Proposed distribution of the dividend
   The proposal for the distribution of 2016 profits, as listed in the below table, was passed at the meeting of the BOD on March 15, 2017. The proposal will be implemented after discussion and approval during the Shareholders' Meeting held on June 16, 2017.

Earnings Appropriation Statement for Year 2016

Unit: NT$

Item	Amount	Stock Dividend	Cash Dividend	Note
Unappropriated retained earnings at beginning of period	3,435,336,798	0	0	
Minus: Changes in the remeasurements of the defined benefit plans	(15,310,180)			
Plus: Compensation cost of issued restricted stock awards (RSA)	864,600			
Adjusted unappropriated retained earnings	3,420,891,218			
Plus: Profit after tax of the year	2,042,600,443	0	0	
Minus: Legal reserve	(204,260,044)			
Retained earnings for appropriation	5,259,231,617	0	0	
Shareholder dividend and bonus:	1,412,468,818	105,935,160	1,306,533,658	Stock dividend: $0.3 per share Cash dividend: $3.7 per share
Unappropriated retained earnings at end of period	3,846,762,799	0	0	

3. Descriptions of any expected significant changes to dividend policies: None

4.1.9 The impact of stock dividends distribution proposed in this shareholder's meeting toward WNC's business performance and EPS: Not applicable

4.1.10 Employees' and Directors' Remuneration

1. Remuneration percentage and scope specified in the "Articles of Incorporation":

   If WNC shows an annual profit (the profit herein indicates the pretax profit without deducting the remuneration to employees and directors), the profit will be appropriated in accordance with the following. However, the amount to make up any accumulated losses shall be set aside:
   (1) No less than 5% as employee remuneration; where such remuneration is distributed by shares or as cash; employees of controlled companies, with qualifications set by the Board of Directors, can be included;
   (2) No more than one percent (1%) as remuneration in cash to directors.

2. The accounting treatment if there is a difference between the actual distribution and the estimated basis for calculating remuneration for employees and directors and the shares as stock bonus for employees: If the actual amounts subsequently paid differ from the above estimated amounts, the difference will be recorded in the year paid as a change in accounting estimate.

3. Remuneration distribution approved by the BOD
   (1) The remuneration approved by the BOD is $276,122 (thousand NT$) for employees and $19,723 (thousand NT$) for directors. There is no difference between the estimated expense and the proposed remuneration amounts approved by the BOD.
   (2) Ratio of stock bonuses for employees to the net income of the independent financial statement: Not applicable

4. The actual distribution of the employee remunerations and director remunerations during the previous year (including the distributed shares, amounts, and stock price): If there is a difference between the proposed amount, the difference, reason, and processing status, it shall be described.

Unit: NT$; Shares

	Proposed amount approved by the BOD	Actual distribution amount (Note)
Employee remunerations (in cash)	268,971,489	268,971,489
Director remunerations	19,212,250	19,212,250
Total	288,183,739	288,183,739

Note: The above Employee remunerations and Director remunerations were expensed under WNC's 2015 statement of comprehensive income and the same amounts were approved by the BOD.

4.1.11 Buyback of Stock: None

5. Overview of Business Operations

5.1 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$

Item \ Year	2016	
	Amount	Percentage (%)
Wireless communications products	50,801,449	96.25
Other	1,978,048	3.75
Total	52,779,497	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
F. Plate-type satellite receiving antenna systems
G. Satellite communications transmitters

(2) Mobile and home 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) products
F. Digital-home networking and intelligent security products

G. Automotive 3G/Wi-Fi/BT modules
H. Home/enterprise wireless network sharing routers
I. NFC antennas and modules
J. High-speed server-grade network switches
K. IoT sensors and communication modules

(3) Other wireless products
A. High-frequency automotive forward collision warning radars
B. High-precision biometrics modules
C. Indoor positioning system

4. New products under development

(1) Satellite communications product series
A. High-frequency satellite two-way communications receiver
B. Satellite and terrestrial converged network gateway

(2) Mobile and home communications product series
A. Fixed network coaxial-cable communications integrated gateways
B. Broadband microwave transmission system
C. Fixed network optical communications integrated gateways
D. Mesh topology wireless communication routers

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 bandwidth has boosted a new wave of sales, and some examples of this trend are described in the following section.

(1) With regard to home-network multimedia, the popularity of high-definition video and audio has boosted the bandwidth demands for home networks. According to data from market research company Point Topic, at the end of 2016 the number of wired broadband subscribers reached 800 million while almost 50% of the subscribers chose fiber as their network service medium, indicating a 35% growth rate. The data indicates the growing demand for gigabit-level home networks and implies users' increased concern for Wi-Fi's Internet access quality. Based on this requirement, new home-use mesh-network products can be developed that effectively decrease the dead spots in a building. Thanks to this improvement, TV services nowadays are no longer limited to the living room or constrained by set-top boxes or physical cables. Pay-TV service providers aggressively modify their operations to deliver their content over IP, with more and more OTT streaming applications rolling out for users world-wide. Competition in North America is the most notable, revealing that pay-TV has entered the IP and mobile age. Vendors specializing in both satellite-broadcast and IP technologies will play a key role during this transformation.

(2) In the enterprise broadband network market, network bandwidth and computing efficiency has become key for companies coping with the challenges to their internationalization. Based on data from IDC, the implementation rate of IEEE 802.11ac wireless routers is nearly 30% and is still rapidly rising. The increase of front-end wireless bandwidth inevitably drives the upgrades of back-end connections and data centers. Currently, 2.5G Ethernet technology has been adopted in the market. Its

advantage of being able to use the existing Cat. 6 networks enables the technology to be widely noticed and adopted. In the “Cisco® Visual Networking Index: Global Mobile Data Traffic Forecast, 2012–2017” presented by Cisco in 2017, data traffic will reach 11.2 EB per month and will mostly come from the data exchange between personal mobile devices and applications for the IoT and M2M. Due to the diverse and independent flow of data within this network environment, the edge-computing technology will be crucial in lowering the data traffic load and is receiving more and more attention from all service providers. Implementation of this technology will boost the market demand to replace switches in data centers. The infrastructure for enterprise applications and service-provider networks will also result in an overall improvement.

(3) Regarding the Internet of Vehicles (IoV), the CES shows in recent years have demonstrated how this has become the hottest topic in consumer electronics. The concept of the IoV spawned many new applications that require the integrated functionalities of networks, sensors, and cloud computing. Examples of the applications include multimedia/entertainment sharing, driving assistance systems, cloud analysis guidance, and real-time emergency road services. It has been the determining time for self-driving cars to come into actual implementation, and most networking-device manufacturers are aggressively committing their R&D resources. According to the research of Strategy Analytics, as of the end of 2016, the number of shipped vehicles equipped with IoV devices has exceeded 22 million, accounting for 27% of total vehicle shipments, while in 2023, the CAGR is expected to reach 18%. With the interoperation with ADAS (Advanced Driver Assistance Systems), the number of IoV-enabled vehicles will exceed 50 million, showing that electronic equipment has become the battleground for car makers and is the new frontier for all electronics makers.

However, the higher standard of quality for automotive products and their long launch/verification period will also be a considerable challenge for existing consumer-electronics manufacturers. Most manufacturers are best adapted to rapidly changing business models. At the same time, while the 4G mobile network is quickly stepping into the 5G age, the next-generation network offering over 1 Gbps network speed with latency lower than 2 ms could be capable of integrating the home, business, automotive, or even industrial application environments, offering users a worldwide, inter-operating broadband network. Design and manufacturing quality will be the critical factors to gain success in this market.

(4) In terms of the Industrial Internet of Things (IIoT), the NB-IoT standard, which is widely promoted by worldwide telecom operators, was formally settled in late 2016. The new standard opens many opportunities for smart-city projects. Vodafone, a European operator, has begun establishing its first commercialized NB-IoT network. The network is expected to offer services for over 100 million devices, and vendors that have long waited for growth in this industry are beginning to see opportunities.

With the standardization of the NB-IoT, more and more application concepts are being noticed in the market. IoT products’ development costs, which are currently suffering from a multiple-model/low-quantity business structure, will be able to reduce their time-to-market and gradually develop a more effective business model. The World Bank indicates that when a city with 1 million inhabitants implements 80% of its possible smart applications, the economic benefits will be 2–2.5 times the original investment. In addition, the big data generated by such activities will uncover even more opportunities. A connected world with real ubiquitous networks is in its early stages of development.

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) Audio/video over IP and mobile networks

As home networks are gradually improved to gigabit-level speed, sharing diversified audio/video content is no longer limited by bandwidth. Competition from various OTT application providers has also increased substantially after the popularity of YouTube and Netflix. In addition to the current satellite content providers, cable-TV providers and game companies are also optimistic toward this new content-oriented media age. After the market deployment and significant industry mergers in recent years, the media broadcasting industry has entered into a phase of diversified competition. Audio/video broadcasting over IP has been an important development strategy for developed countries. It will also drive the improvement of mobile broadband, home broadband, and LAN-sharing technologies to fulfill the increasing requirements for data loads and service quality.

(2) Maturity of the wireless broadband market

Based on data from ITU, the number of people with Internet access has reached 4 billion (over 50 percent of the world's population). However, many remote areas still need to use 3G, 4G, or satellite broadband to connect to the Internet. Many telecom operators and Internet application providers, such as Facebook and Google, are optimistic about the great potential of these markets and are aggressively expanding networks for these areas through different broadband-deployment technologies such as satellites, drones, and small cells. Vehicles, railways, or even airlines are all frontiers for these future broadband networks. These applications will also be the foundation for the forthcoming IoT markets. In the foreseeable future, implementation of 5G mobile broadband will further improve the overall bandwidth and reliability for networks, delivering a complete broadband environment to users.

(3) Technologically integrated, self-driving cars

Cars have been one of the most highly anticipated topics at the CES in recent years. This is because as the development of the smart home matures, cars naturally become the next category to propel the consumer market. From Internet-connected multimedia service and cloud control to smart driving assistance, various advanced sensors are implemented to offer smarter traffic services. As connected cars become a topic of high focus, it also affects the specifications of various wireless technologies, anticipating that one day, humans, machines, and cars can be included in a comprehensive but simple network structure.

This is not only a challenge in technologies, but also for the strict requirements for product quality and development capabilities. Just like network services, the automotive industry is facing an important revolution. The characteristics of consumer products are gradually affecting the slow-changing and boundary-free automotive industry, while the sharing economy is also changing car-buying behavior. The future of cars is full of opportunities and challenges.

(4) Standardization and application of the IoT

Operators have always been a critical role in worldwide Internet applications. They are infrastructure providers and shape the direction of the industry. Therefore, the wide approval and adoption of NB-IoT by operators could indicate that the era of multiple standards and uncertainty in the IoT market is ending. A unified standard and a mature industry chain are both key factors to drive a healthy market development and are especially crucial for the IoT market which features diversified models and applications. Therefore, operators will input more investment and attract more creative developers, expecting they can offer an integrated and friendly platform for developers to focus on developing applications and providing services. Through obtaining low-cost network-access products and cooperation with excellent system developers, the growth of the IoT market will be able to accelerate, making the operation of the whole industry more healthy.

III. Technology Research and Development

1. Research & development expenditures during the last fiscal year and the current fiscal year.

Unit: Thousand NT$

Year	2016	Up to Mar. 31, 2017
R&D expenditures	2,003,650	513,403
Percentage of total revenue	3.80%	4.01%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or Product
2016	A. 4K satellite digital signal convertors B. Digital satellite signal LNBFs C. Satellite communication receiving equipment

(2) Mobile and home communications product series

Year	Technology or Product
2016	A. Integrated fiber broadband network receiving terminals B. IEEE 802.11ac wave2 routers C. High-end mobile broadband sharing router D. 4G small-cell equipment

(3) Other wireless products

Year	Technology or Product
2016	A. High-precision biometrics modules B. Aftermarket automotive radars

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

1. Short-term business development plans

(1) Marketing Strategy
Focusing on technology-oriented ODM/JDM 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.

(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.

5.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2015 Amount	2015 Percentage of Revenue	2016 Amount	2016 Percentage of Revenue
Export Sales	Americas	28,382,614	54.39%	27,269,132	51.67%
	Asia	13,374,096	25.63%	13,541,057	25.65%
	Europe	6,728,575	12.89%	8,293,913	15.71%
	Others	115,366	0.22%	98,563	0.19%
	Total	48,600,651	93.13%	49,202,665	93.22%
Domestic Sales		3,582,567	6.87%	3,576,832	6.78%

2. Market share

WNC has been operating with integrity in the satellite market for 20 years and is the global leading supplier for satellite receiving equipment. The satellite TV market worldwide is still growing at a 3%–5% annual growth rate, especially in some developing countries where this technology as the most important and the only broadcasting media. In addition to the growth, WNC has earned 80% of the market share in automotive satellite broadcast products, and this share is still growing. Currently, 70% of the new vehicles in North American are equipped with such products. These products are expected to be standard equipment in vehicles in the U.S. market.

Regarding consumer wireless communication products, besides maintaining the highest market share of mobile-device antennas worldwide, WNC is also the major design and manufacturing supplier of enterprise-level wireless devices, indicating that WNC's technological capability and product quality is widely recognized by customers from each industry. We will continue to expand the experience into new communication applications and maintain our role as a high-end technology provider.

3. Future market status and growth potential

Digitization of video and audio content has boosted the need for networks with higher bandwidth. Various applications for handheld devices are driving upgrades to mobile networks. Self-driving cars are rapidly developing. More and more opportunities have been discovered in the IoT market. The requirements for all of the above (including high data volume, specific environments, and reliability) will be the challenges for system developers of wireless communication and network systems.

Over the past twenty years, WNC has become more and more experienced fulfilling the various requirements from customers, successfully resolved difficult design problems, and has obtained certifications to achieve the high quality requirements of automotive and industrial products. The process of developing these products also enhances our ability to systematically resolve communication problems through the integration of software and hardware. This strengthened understanding of software gives WNC the advantage when facing the complex and integrated applications of the future. Based on this advantage, WNC will be able to enhance customer services and will invest more in technologies to claim a key position during the next industrial revolution—the smart era.

On the other hand, the multitude of new network applications is gradually making the smart home concept more and more concrete. The functionalities of STB, NAS, IP radio, and IAD and also the network functions added to existing traditional home appliances will blur the boundary between the types of consumer electronics. At the same time, the trend of using a shared platform will be more and more clear. Key factors to the success of smart home concepts will be determined by whether or not telecom operators can specifically promote the four-screen concept (TV, PC, cell phone, tablet) when implementing the quadruple play strategy. They must provide integrated voice, video, data, and mobile services through the IP network and find a correct value proposition from the competing software platforms and communications 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 in the U.S., which is the entire American market, is experiencing steady growth and expanding its penetration rate in different communication media formats. Providers can then capitalize on IP-based streaming trends and increase service value through advanced applications of information communications and technology to enhance user loyalty. Overall, the service provider 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. 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. Emerging markets have experienced rapid growth in digital TV with government encouragement of switching from analog to digital formats. One example is the rapid establishment of DTH platform satellite services: Markets such as India and Latin America have seen steady 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 and the requirement to meet user demand for convenient, wireless mobile services, developed quadruple-play services, which are undergoing rapid development based on wired broadband and mobile broadband 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. The dramatically fluctuated currency exchange rates had considerable effects on the global economy and industrial operations. Global political risks and uncertainties still exist, which may 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.

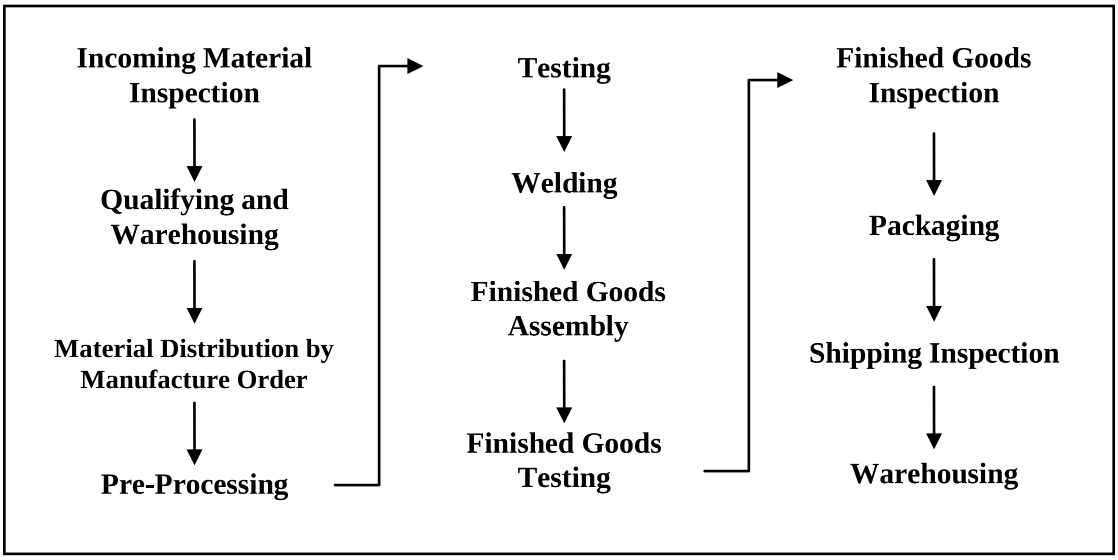
II. Primary Applications of Major Products and Production Processes

1. Primary Applications

	Satellite Communications Product Series	Mobile and Home 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 offer high quality and large capacity and utilize microwave bands and re-utilize all other	<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 has evolved from the 2G and 2.5G standards (which focused on voice communication) into the HSPA protocol that focuses on material services. The next-generation mobile broadband defined by LTE and LTE-A through OFDM technologies has also developed rapidly. With the increasing deployment of LTE-A and 5G by operators, the worldwide mobile network is entering a new era of high-speed mobile broadband and has started the development of related markets.

	Satellite Communications Product Series	Mobile and Home Communications Product Series
	frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	Broadband Network s (IEEE 802.11X): 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.	WLAN Networks: 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. Broadband Networks (IEEE 802.11X): 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 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.

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. Accounts Representing At Least 10% of Total Sales & Purchases During the Most Recent Two Years

1. Key Buyers

Unit: Thousand NT$

	2015				2016				Up to Mar. 31, 2017			
	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 A	6,404,227	12	-	Customer A	5,375,495	10	-	Customer A	547,741	4	-
2	Customer B	5,951,478	11	-	Customer B	4,959,619	9	-	Customer B	939,804	7	-
3	Others	39,827,513	77	-	Others	42,444,383	81	-	Others	11,316,359	89	-
	Total	52,183,218	100	-	Total	52,779,497	100	-	Total	12,803,904	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	2015			2016		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless Communications Products	315,010,000	313,671,647	48,439,576	265,211,000	263,832,208	48,439,576
Others	0	0	0	0	0	0
Total	315,010,000	313,671,647	48,439,576	265,211,000	263,832,208	47,586,007

Note: The changes of capacity and quantity were primarily caused by the changes to the product portfolio.

VI. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Sales Value / Major Product	2015				2016			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless Communications Products	31,380,611	3,144,775	201,369,055	47,348,879	25,691,419	3,241,222	187,872,821	47,560,227
Others	0	437,792	0	1,251,772	0	335,610	0	1,642,438
Total	31,380,611	3,582,567	201,369,055	48,600,651	25,691,419	3,576,832	187,872,821	49,202,665

5.3 Employee Data During the Most Recent Two Years and the Current Fiscal Year up to the Date of Printing of the Annual Report

Year		2015	2016	As of Mar. 31, 2017
Number of Employees	Sales	322	348	349
	R & D	865	938	948
	Manufacturing	1,069	1,202	1,186
	Administration	620	489	488
	Direct Labor	7,884	6,087	7,529
Total		10,760	9,064	10,500
Average Age		29.2	29.4	28.95
Average Years of Service		2.1	2.75	2.3
Education	PhD	0.28%	0.37%	0.34%
	Master’s	7.63%	11.08%	9.41%
	Bachelor’s	19.83%	32.66%	20.52%
	Others	72.26%	55.89%	69.73%

5.4 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 to implement environmental protection measures.
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

6. Financial Standing

6.1 Most Recent Five-Year Concise Financial Information

6.1.1 Consolidated Financial Information

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Year (Note)		Most Recent Five-Year Financial Information					Financial Information as of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		15,251,582	16,797,438	17,821,608	20,621,683	22,718,403	23,799,996
Property, plant, and equipment		4,762,197	4,669,660	5,232,640	6,398,183	6,165,546	5,812,207
Intangible assets		54,114	56,858	59,682	56,773	40,914	41,896
Other assets		743,314	746,274	715,505	779,361	847,049	826,218
Total assets		20,811,207	22,270,230	23,829,435	27,856,000	29,771,912	30,480,317
Current liabilities	Before distribution	9,576,983	11,338,995	12,115,123	14,858,513	14,621,080	14,991,981
	After distribution	10,246,251	12,304,299	13,002,784	16,098,844	Note	Note
Non-current liabilities		1,785,748	408,630	478,814	605,028	1,982,192	1,930,203
Total liabilities	Before distribution	11,362,731	11,747,625	12,593,937	15,463,541	16,603,272	16,922,184
	After distribution	12,031,999	12,712,929	13,481,598	16,703,872	Note	Note
Equity attributable to parent's shareholders		9,448,476	10,522,605	11,235,498	12,392,459	13,168,640	13,558,133
Capital stock		3,045,415	3,225,014	3,287,634	3,353,187	3,531,173	3,531,173
Capital surplus		2,051,579	2,212,882	2,369,650	2,369,850	2,835,611	2,835,611
Retained earnings	Before distribution	4,422,251	5,173,321	5,515,923	6,476,812	7,164,068	7,742,632
	After distribution	3,661,719	4,143,663	4,562,509	5,135,913	Note	Note
Other equity		(70,769)	(88,612)	62,291	192,610	(362,212)	(551,283)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total Equity	Before distribution	9,448,476	10,522,605	11,235,498	12,392,459	13,168,640	13,558,133
	After distribution	8,779,208	9,557,301	10,347,837	11,152,128	Note	Note

Source: Consolidated financial statements audited by a CPA; financial information as of the end of first quarter 2017, reviewed and approved by a CPA

Note: The resolution for earnings distribution for Year 2016 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

2. Concise Consolidated Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year (Note)	Most Recent Five-Year Financial Information					Financial Information as of March 31, 2017
	2012	2013	2014	2015	2016	
Net operating revenues	34,434,519	36,653,661	40,326,918	52,183,218	52,779,497	12,803,904
Gross profit	4,655,244	5,191,044	5,420,254	6,930,899	7,315,631	1,922,615
Operating income	1,483,719	1,783,136	1,708,627	2,347,699	2,677,189	695,969
Non-operating income and expenses	(51,348)	176,967	71,562	201,932	(47,446)	35,743
Income before income tax	1,432,371	1,960,103	1,780,189	2,549,631	2,629,743	731,712
Continuing operations' profit for the period	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600	578,564
Losses from discontinued operations	-	-	-	-	-	-
Net income	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600	578,564
Other comprehensive income for the period (net after-tax)	(68,058)	167,222	144,625	(66,478)	(303,839)	(227,112)
Total comprehensive income for the period	1,041,690	1,685,553	1,521,013	1,906,030	1,738,761	351,452
Profit to parent's shareholders	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600	578,564
Profit to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	1,041,690	1,685,553	1,521,013	1,906,030	1,738,761	351,452
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS before adjusted (NT$)	3.66	4.84	4.28	5.97	5.95	1.67

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2017 reviewed and approved by a CPA

6.1.2 Independent Financial Information

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Year (Note)		Most Recent Five-Year Financial Information				
		2012	2013	2014	2015	2016
Current assets		11,725,594	13,108,459	13,605,463	16,766,583	18,652,804
Property, plant, and equipment		1,880,146	1,858,562	2,291,171	2,837,649	3,301,377
Intangible assets		51,940	54,937	59,345	56,179	40,800
Other assets		4,205,475	4,625,107	5,484,430	5,701,877	6,177,635
Total assets		17,863,155	19,647,065	21,440,409	25,362,288	28,172,616
Current liabilities	Before distribution	6,628,931	8,715,835	9,726,097	12,364,801	13,021,784
	After distribution	7,298,199	9,681,139	10,613,758	13,605,132	Note
Non-current liabilities		1,785,748	408,625	478,814	605,028	1,982,192
Total liabilities	Before distribution	8,414,679	9,124,460	10,204,911	12,969,829	15,003,976
	After distribution	9,083,947	10,089,764	11,092,572	14,210,160	Note
Equity attributable to parent's shareholders		-	-	-	-	-
Capital stock		3,045,415	3,225,014	3,287,634	3,353,187	3,531,173
Capital surplus		2,051,579	2,212,882	2,369,650	2,369,850	2,835,611
Retained earnings	Before distribution	4,422,251	5,173,321	5,515,923	6,476,812	7,164,068
	After distribution	3,661,719	4,143,663	4,562,509	5,135,913	Note
Other equity		(70,769)	(88,612)	62,291	192,610	(362,212)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before distribution	9,448,476	10,522,605	11,235,498	12,392,459	13,168,640
	After distribution	8,779,208	9,557,301	10,347,837	11,152,128	Note

Source: Independent financial statements audited by a CPA

Note: The resolution for earnings distribution for Year 2016 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

2. Concise Independent Statements of Comprehensive Income

Unit: Thousand NT$

Year (Note) / Item	Most Recent Five-Year Financial Information				
	2012	2013	2014	2015	2016
Net operating revenues	32,103,091	35,177,877	39,114,287	52,436,179	52,009,586
Gross profit	3,787,372	4,130,342	4,346,696	5,607,299	6,007,178
Operating income	1,351,114	1,473,202	1,384,525	1,887,661	2,217,721
Non-operating income and expenses	22,844	391,666	300,744	568,762	304,007
Income before income tax	1,373,958	1,864,868	1,685,269	2,456,423	2,521,728
Continuing operations' profit for the period	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600
Losses from discontinued operations	-	-	-	-	-
Net income	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600
Other comprehensive income for the period (net after-tax)	(68,058)	167,222	144,625	(66,478)	(303,839)
Total comprehensive income for the period	1,041,690	1,685,553	1,521,013	1,906,030	1,738,761
Profit to parent's shareholders	1,109,748	1,518,331	1,376,388	1,972,508	2,042,600
Profit to non-controlling interests	-	-	-	-	-
Total comprehensive income to parent's shareholders	1,041,690	1,685,553	1,521,013	1,906,030	1,738,761
Total comprehensive income to non-controlling interests	-	-	-	-	-
EPS before adjusted (NT$)	3.66	4.84	4.28	5.97	5.95

Source: Independent financial statements audited by a CPA

6.1.3 CPA Opinions in the Most Recent Five Years

Year	Name of CPA Firm	Name of CPA	Auditor’s Opinion
2012	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unmodified opinion
2013	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unmodified opinion
2014	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unmodified opinion
2015	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2016	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion

6.2 Most Recent Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item \ Period		Most Recent Five-Year Financial Information					For the Year Ending March 31, 2017
		2012	2013	2014	2015	2016	
Financial ratio (%)	Total liabilities to total assets	54.6	52.75	52.85	55.51	55.77	55.52
	Long-term debts to property, plant, and equipment	229.08	225.34	214.72	193.69	235.97	257.10
Ability to pay off debt (%)	Current ratio	159.25	148.14	147.10	138.79	155.38	158.75
	Quick ratio	122.48	118.52	107.45	93.12	111.74	110.56
	Interest coverage ratio	15.22	31.02	36.54	92.72	55.75	45.39
Ability to operate	A/R turnover (times)	5.62	6.63	6.18	6.04	5.39	5.62
	A/R turnover days	65	55	59	60	68	65
	Inventory turnover (times)	8.16	9.72	9.18	8.19	7.13	6.61
	Average days to sell inventory	45	38	40	45	51	55
	Accounts payable turnover (times)	6.27	6.66	5.48	5.37	5.14	5.17
	Property, plant, and equipment turnover (times)	7.15	7.77	8.14	8.97	8.40	8.55
	Total assets turnover (times)	1.60	1.70	1.75	2.02	1.83	1.70
Earnings ability	Return on assets (%)	5.53	7.28	6.14	7.72	7.23	7.86
	Return on equity (%)	11.83	15.21	12.65	16.70	15.98	17.32
	Profit before tax to paid-in capital ratio (%)	47.14	61.01	54.15	76.04	74.56	82.89
	Net income ratio (%)	3.22	4.14	3.41	3.78	3.87	4.52
	EPS (NT$)	3.66	4.84	4.28	5.97	5.95	1.67
Cash flow (%)	Cash flow ratio (%)	27.86	36.63	11.76	10.55	23.53	29.97
	Cash flow adequacy ratio (%)	Note	Note	Note	Note	95.24	108.15
	Cash reinvestment ratio (%)	11.53	23.37	2.73	3.58	10.17	20.42
Leverage	Operating leverage	1.66	1.55	1.58	1.50	1.50	1.44
	Financial leverage	1.07	1.04	1.03	1.01	1.02	1.02

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2017, reviewed and approved by a CPA

6.2.2 Independent Financial Analysis

Item	Period	Most Recent 5-Year Financial Information				
		2012	2013	2014	2015	2016
Financial ratio (%)	Total liabilities to total assets	47.11	46.44	47.60	51.14	53.26
	Long-term debts to property, plant, and equipment	580.24	566.17	490.38	436.72	440.70
Ability to pay off debt (%)	Current ratio	176.89	150.40	139.89	135.60	143.24
	Quick ratio	156.78	138.07	119.48	112.84	125.70
	Interest coverage ratio	33.74	44.76	59.64	222.18	70.43
Ability to operate	A/R turnover (times)	4.78	5.86	5.88	5.48	4.57
	A/R turnover days	76	62	62	67	80
	Inventory turnover (times)	27.85	29.28	26.66	21.21	18.89
	Average days to sell inventory	13	12	14	17	19
	Accounts payable turnover (times)	7.09	8.17	6.36	6.12	5.55
	Property, plant, and equipment turnover (times)	16.88	18.82	18.85	20.45	16.94
	Total assets turnover (times)	1.77	1.88	1.90	2.24	1.94
Earnings ability	Return on assets (%)	6.32	8.28	6.81	8.47	7.74
	Return on equity (%)	11.83	15.21	12.65	16.70	15.98
	Profit before tax to paid-in capital ratio (%)	45.22	58.05	51.26	73.26	71.41
	Net income ratio (%)	3.46	4.32	3.52	3.76	3.93
	EPS (NT$)	3.66	4.84	4.28	5.97	5.95
Cash flow (%)	Cash flow ratio (%)	12.82	36.83	19.5	Note 2	30.27
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	Note 1	108.49
	Cash reinvestment ratio (%)	Note 2	20.82	6.93	Note 2	29.64
Leverage	Operating leverage	1.19	1.23	1.25	1.31	1.29
	Financial leverage	1.03	1.03	1.02	1.01	1.02

Source: Independent financial statements audited by a CPA

Note 1: Financial data calculated according to IFRS standards for less than 5 years

Note 2: Net cash flow from operating activities is negative and has no value for analysis.

6.3 2016 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2016 business report, financial statements, and the profit allocation proposal. The CPA firm KPMG was retained to audit the financial statements of Wistron NeWeb Corporation and has issued an audit report relating to the financial statements. The business report, financial statements, and the profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron NeWeb Corporation. 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, 2017 Annual Shareholders' Meeting

Chairman of the Audit Committee: Robert Hung

March 15, 2017

6.4 Financial Reports

Independent Auditors' Report

The Board of Directors
Wistron NeWeb Corporation:

Opinion

We have audited the consolidated financial statements of Wistron NeWeb Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of Receivables

   Please refer to Note 4(7) "Summary of Significant Accounting Policies－Financial instruments" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(2) "Description of Significant Accounts－Financial assets" to the consolidated financial statements.

Description of key audit matters:

The Group has its customers spread throughout the globe, wherein they are vulnerable to various changes, such as environmental, technical, market, economic as well as legal matters. Therefore, the customer credit control is considered to be more complex. When assessing the recoverability of its receivables, it is necessary to consider any change in the credit quality of the receivable from the original grant date to the reporting date. For those receivables that have not been withdrawn within the credit term, the balance of the accounts receivable is calculated by reference from the historical experience and current financial position of the customer in order to estimate the amount of allowance for bad debts. The management has subjective and significant judgments with the balance of allowance for bad debts from receivables. Therefore, the valuation of receivables is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Checking the completeness and correctness of the aging analysis, and testing the key control of the management for the credit rating and supervision process to assess the appropriateness of the grant of customer credit ratings; understanding and evaluating the management' s consideration relating to receivables that are overdue, considering the receipt of cash after the year-end, and understanding the possibility of remaining receivables collection; testing the adequacy of the Group's provisions against the receivables by assessing the relevant assumptions and considering the adequacy of the Group's disclosures in the accounts.

2. Valuation of Inventories

Please refer to Note 4(8) "Summary of Significant Accounting Policies－Inventories" , Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(3) "Description of Significant Accounts－Inventories, net" to the consolidated financial statements.

Description of key audit matters:

The Group mainly engages in the research and development, as well as the production of wireless communication products, wherein its inventories are measured at the lower of cost and net realizable value. Due to the rapid changes in telecommunication industry, the old models produced by the Group may quickly be replaced by news ones, resulting in a risk in which the carrying value of inventories may be higher than its net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon which is tentative and might be subject to significant fluctuations. Therefore, the valuation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Obtaining the inventory ageing report and checking the accuracy with the general ledger; testing the accuracy of the ageing of inventory based on the available documents of the last valid transaction. Understanding and evaluating the management's judgment on the calculation of the net realizable value, and testing the relevant documents to assess the rationality for ageing inventories under 30 days; as well as understanding the management's assumptions on the completeness of inventory provisions and making an assessment of their adequacy for ageing inventories exceeding 30 days of age; and considering the adequacy of the Group's disclosures in the accounts.

3. Estimation of Warranty Provisions

Please refer to Note 4(15) "Summary of Significant Accounting Policies－Provisions" , Note 5

"Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(9) "Description of Significant Accounts－Provisions" to the consolidated financial statements.

Description of key audit matters:

The management estimates the warranty provision quarterly based on the ratio of the projected cost of maintenance which are subject to the underlying products which are sold within the warranty period, including the current-year's operating revenues and customer-service department assessment of the customer's condition. The management regularly reviews the basis of the estimate if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any change in the basis of the estimate. Therefore, estimation of warranty provisions is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Assessing the Group's methodology for determining the provision that required taking into account the key assumptions such as accuracy of provision and utilization of provisions. Verifying the selected samples to ensure that they are consistent with the available supporting documents, in the case when specific warranty provisions are incurred; and considering the adequacy of the Group's disclosures in the accounts.

Others

Wistron NeWeb Corporation has prepared its parent-company-only financial statements of as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shing-Hai Wei and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2017

Notes to Readers

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

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 4,259,482	14	3,218,734	12
Financial assets at fair value through profit or loss－current (note 6(2))	-	-	172	-
Available-for-sale financial assets－current (note 6(2))	1,891,626	6	739,716	3
Notes receivable (note 6(2))	230,542	1	322,707	1
Accounts receivable, net (note 6(2))	9,482,039	32	9,298,477	33
Accounts receivable from related parties (note 7)	101,473	-	138,828	-
Inventories, net (note 6(3))	6,170,721	21	6,588,521	24
Non-current assets held for sale (note 6(4))	262,859	1	-	-
Other financial assets－current (notes 6(2) and 8)	109,950	-	118,208	-
Other current assets (note 7)	209,711	1	196,320	1
Total current assets	22,718,403	76	20,621,683	74
Non-current assets:				
Financial assets carried at cost－non-current (note 6(2))	126,056	-	110,336	-
Investments accounted for using equity method (notes 6(5) and 7)	133,123	1	151,148	1
Property, plant and equipment (notes 6(6) and 7)	6,165,546	21	6,398,183	23
Intangible assets (note 6(7))	40,914	-	56,773	-
Deferred tax assets (note 6(13))	392,513	1	294,297	1
Refundable deposits (note 7)	7,605	-	8,937	-
Other non-current assets (note 6(2) and (11))	187,752	1	214,643	1
Total non-current assets	7,053,509	24	7,234,317	26
Total assets	$ 29,771,912	100	27,856,000	100

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	December 31, 2016		December 31, 2015	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (note 6(8))	$ 2,359,393	8	2,067,880	8
Notes and accounts payable	8,328,376	28	9,180,394	33
Accounts payable to related parties (note 7)	66,480	-	113,498	-
Salary and bonus payable	1,410,530	5	1,411,372	5
Other accrued expenses	1,012,456	3	1,038,148	4
Provisions－current (note 6(9))	259,102	1	231,326	1
Other current liabilities	1,184,743	4	815,895	3
Total current liabilities	14,621,080	49	14,858,513	54
Non-current liabilities:				
Bonds payable (note 6(10))	1,380,491	5	-	-
Deferred tax liabilities (note 6(13))	499,768	2	515,008	2
Net defined benefit liabilities－non-current (note 6(12))	98,478	-	85,477	-
Other non-current liabilities	3,455	-	4,543	-
Total non-current liabilities	1,982,192	7	605,028	2
Total liabilities	16,603,272	56	15,463,541	56
Equity (notes 6(14) and (15)):				
Ordinary share capital	3,526,975	12	3,353,187	12
Advance receipts for share capital	4,198	-	-	-
Capital surplus	2,835,611	9	2,369,850	8
Retained earnings	7,164,068	24	6,476,812	23
Other equity interest	(362,212)	(1)	192,610	1
Total equity	13,168,640	44	12,392,459	44
Total liabilities and equity	**$ 29,771,912**	**100**	**27,856,000**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	For the years ended December 31,				
	2016		2015		
		Amount	%	Amount	%
Net operating revenues (notes 6(17) and 7)	$	52,779,497	100	52,183,218	100
Operating costs (notes 6(3), (11), (12), (18) and 7)		45,463,866	86	45,252,319	87
Gross profit		7,315,631	14	6,930,899	13
Operating expenses (notes 6(11), (12), (18) and 7):					
Selling		1,699,880	3	1,620,404	3
General and administrative		934,912	2	917,967	1
Research and development		2,003,650	4	2,044,829	4
Total operating expenses		4,638,442	9	4,583,200	8
Net operating income		2,677,189	5	2,347,699	5
Non-operating income and expenses:					
Other income (notes 6(19) and 7)		130,634	-	108,104	-
Other gains and losses, net (note 6(19))		(131,925)	-	103,909	-
Finance costs (note 6(19))		(48,031)	-	(27,798)	-
Share of profit of associates accounted for using equity method (note 6(5))		1,876	-	17,717	-
Total non-operating income and expenses		(47,446)	-	201,932	-
Income before income tax		2,629,743	5	2,549,631	5
Income tax expenses (note 6(13))		587,143	1	577,123	1
Net income		2,042,600	4	1,972,508	4
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plans (note 6(12))		(18,446)	-	(70,127)	-
Income tax relating to items that will be not reclassified subsequently (note 6(13))		3,136	-	11,922	-
Total items that will not be reclassified subsequently to profit or loss		(15,310)	-	(58,205)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign financial statements		(460,589)	(1)	(5,836)	-
Unrealized gains (losses) on available-for-sale financial assets		93,760	-	(3,429)	-
Income tax relating to items that may be reclassified subsequently (note 6(13))		78,300	-	992	-
Total items that may be reclassified subsequently to profit or loss		(288,529)	(1)	(8,273)	-
Other comprehensive income		(303,839)	(1)	(66,478)	-
Total comprehensive income	$	1,738,761	3	1,906,030	4
Earnings per share (New Taiwan dollars) (note 6(16))					
Basic earnings per share	$		5.95		5.80
Diluted earnings per share	$		5.62		5.65

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(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, 2015	$ 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
Net income for the period	-	-	-	-	-	1,972,508	1,972,508	-	-	-	-	1,972,508
Other comprehensive income for the period	-	-	-	-	-	(58,205)	(58,205)	(4,844)	(3,429)	-	(8,273)	(66,478)
Total comprehensive income for the period	-	-	-	-	-	1,914,303	1,914,303	(4,844)	(3,429)	-	(8,273)	1,906,030
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	137,639	-	(137,639)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(887,661)	(887,661)	-	-	-	-	(887,661)
Stock dividends distributed to shareholder	65,753	-	-	-	-	(65,753)	(65,753)	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	138,592	138,592	138,592
Expiration of restricted stock awards	(200)	-	200	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2015	3,353,187	-	2,369,850	1,395,202	108,123	4,973,487	6,476,812	242,913	1,182	(51,485)	192,610	12,392,459
Net income for the period	-	-	-	-	-	2,042,600	2,042,600	-	-	-	-	2,042,600
Other comprehensive income for the period	-	-	-	-	-	(15,310)	(15,310)	(382,289)	93,760	-	(288,529)	(303,839)
Total comprehensive income for the period	-	-	-	-	-	2,027,290	2,027,290	(382,289)	93,760	-	(288,529)	1,738,761
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	197,251	-	(197,251)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,240,331)	(1,240,331)	-	-	-	-	(1,240,331)
Stock dividends distributed to shareholder	100,568	-	-	-	-	(100,568)	(100,568)	-	-	-	-	-
Issuance of restricted stock awards	69,900	-	338,981	-	-	-	-	-	-	(408,881)	(408,881)	-
Compensation cost of issued restricted stock awards	-	-	472	-	-	865	865	-	-	142,588	142,588	143,925
Expiration of restricted stock awards	(2,420)	-	2,420	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	55,050	-	-	-	-	-	-	-	-	55,050
Conversion of convertible bonds	5,740	4,198	68,838	-	-	-	-	-	-	-	-	78,776
Balance as of December 31, 2016	$ 3,526,975	4,198	2,835,611	1,592,453	108,123	5,463,492	7,164,068	(139,376)	94,942	(317,778)	(362,212)	13,168,640

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
		2016	2015
Cash flows from operating activities:			
Net income before tax	$	2,629,743	2,549,631
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation		1,279,531	1,103,368
Amortization		61,344	62,660
Provision for doubtful accounts, net		18,318	12,882
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		172	(1,042)
Interest expense		48,031	27,798
Interest income		(15,532)	(21,732)
Dividend income		(17,185)	-
Compensation cost of issued restricted stock awards		143,925	138,592
Share of profit of associates accounted for using equity method		(1,876)	(17,717)
Loss (gain) on disposal of investment, net		(2,571)	16,043
Adjustment for other non-cash-related losses, net		12,005	22,954
Provision for inventory devaluation loss		131,022	56,810
Provision for allowance for sales discount		107,922	-
Total adjustments to reconcile profit (loss)		1,765,106	1,400,616
Changes in operating assets and liabilities:			
Notes receivable		92,165	(150,527)
Accounts receivable		(337,341)	(2,126,003)
Accounts receivable from related parties		37,355	14,283
Inventories		286,778	(2,177,395)
Other operating assets		(7,234)	84,448
Notes and accounts payable		(852,018)	1,708,856
Accounts payable to related parties		(47,018)	16,030
Other operating liabilities		449,256	706,730
Total changes in operating assets and liabilities		(378,057)	(1,923,578)
Total adjustments		1,387,049	(522,962)
Cash flows generated from operations		4,016,792	2,026,669
Interest received		14,539	23,558
Dividend received		17,185	-
Interest paid		(27,951)	(29,104)
Income tax paid		(580,177)	(453,548)
Net cash flows generated from operating activities		3,440,388	1,567,575
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		(3,625,096)	(1,912,000)
Proceeds from disposal of available-for-sale financial assets		2,569,517	2,396,443
Acquisition of financial assets carried at cost－non-current		(15,720)	(7,713)
Proceeds from capital return of financial assets carried at cost－non-current		-	22,345
Proceeds from disposal of financial assets carried at cost－non-current		-	22,076
Acquisition of property, plant and equipment		(1,688,098)	(2,216,225)
Proceeds from disposal of property, plant and equipment		18,944	9,362
Acquisition of intangible assets		(45,507)	(59,731)
Decrease in refundable deposits		1,332	3,132
Increase in other financial assets		(20,000)	-
Capital received from associates		7,519	4,836
Net cash flows used in investing activities		(2,797,109)	(1,737,475)
Cash flows from financing activities:			
Increase in short-term borrowings		291,513	43,141
Issuance of convertible bonds		1,494,710	-
Cash dividends paid		(1,240,331)	(887,661)
Net cash flows generated from (used in) financing activities		545,892	(844,520)
Effect of exchange rate changes		(148,423)	3,007
Net increase (decrease) in cash and cash equivalents		1,040,748	(1,011,413)
Cash and cash equivalents at beginning of period		3,218,734	4,230,147
Cash and cash equivalents at end of period	$	4,259,482	3,218,734

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(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 (R.O.C.), on December 7, 1996. The registered address of the Company's 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, 2016, comprises 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 Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2017.

3. New Standards and Interpretations Adopted

(1) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

According to the Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, amendments and interpretations are as follows:

New Standards, Amendments and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
Amendments to IAS 1 *Disclosure Initiative*	January 1, 2016

New Standards, Amendments and Interpretations	Effective date per IASB
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

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

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

New standards and amendments issued by the IASB but not yet endorsed by the FSC are summarized as below. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's consolidated financial statements were authorized for issue, the FSC has not yet announced the effective dates of the other IFRSs.

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*	Effective date to be determined by IASB
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
Amendment to IFRS 2 *Clarifications of Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendment to IFRS 15 *Clarifications of IFRS 15*	January 1, 2018

(Continued)

New Standards, Amendments and Interpretations	Effective date per IASB
Amendment to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendment to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IFRS 4 *Insurance Contracts* (*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*)	January 1, 2018
Annual improvements cycle 2014-2016:	
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2017
IFRS 1 *First-time Adoption of International Financial Reporting Standards*" and IAS 28 "*Investments in Associates and Joint Ventures*	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
Amendments to IAS 40 *Investment Property*	January 1, 2018

The standards which are relevant to the Group are listed below:

Issue Dates	New Standards and Amendments	Content of Amendment
May 28, 2014 April 12, 2016	IFRS 15 *Revenue from Contracts with Customers*	The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the relevant interpretations. On April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether a company is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.

(Continued)

Issue Dates	New Standards and Amendments	Content of Amendment
November 19, 2013 July 24, 2014	IFRS 9 *Financial Instruments*	The new standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The main amendments are as follows: • Clarification and measurement: The financial asset is driven by the entity's business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have changes in fair value related to the changes in its credit risk are recognized in OCI. • Impairment: The new expected credit loss model is to replace the current incurred loss model. • Hedge accounting: More principle-based regulations are adopted to correspond hedge accounting with risk management. Such regulations include the revisions on the requirements of adoption, continuation, and discontinuation of hedge accounting, allowing more categories of risk exposure to conform with the hedged items.
January 13, 2016	IFRS 16 *Leases*	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability. • A lessor shall classify a lease as either finance lease or operating lease. The accounting treatment remains similar in accordance with IAS 17 *Leases*.

The Group assessed that the application of the IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* would not have any material impact on its financial position and financial performance. The Group continues evaluating the impact of the initial adoption of the IFRS 16 *Leases* on its financial position and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated 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 consolidated 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 balance sheets:

(a) Financial assets measured at fair value through profit or loss are measured at fair value;

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

(c) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of 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 (TWD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in TWD 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 the entities controlled by the Company (its subsidiaries). The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

(Continued)

The financial statements of the 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, 2016**	**December 31, 2015**
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%	100%
the Company	WNC JAPAN Inc. (NJP)	Services for wireless communication products	100%	100%
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%

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

(Continued)

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies 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 transaction.

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.

B. Foreign operations

The assets and liabilities of foreign operations are translated to TWD using 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 TWD at the average rate for the period. 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 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.

(Continued)

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.

(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.

(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 profit or loss, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available for-sale financial assets. 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.

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 may cause 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 cumulative gains or losses previously recognized in other comprehensive income to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not

(Continued)

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 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 bonds 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.

(Continued)

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.

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. In the case of manufactured inventories and work in process, the cost includes an appropriate share of direct labors and production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(9) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value, less, costs to sell. Impairment losses recognized when initially classified as non-current assets held for sale, and subsequent gains or losses on re-measurement, are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the property, plant and equipment are classified as non-current assets held for sale, the recognition on depreciation shall cease.

(10) Investment in associates

Associates are those entities over which the Group has a significant influence and the authority to participate in the financial and operating policy decisions of the investee but not to the extent of controlling or joint controlling over those policies.

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)

(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. 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.

C. 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.

(Continued)

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

(a) Buildings: 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 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.

(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 operating lease are recognized in expenses on a straight-line basis over the term of the lease.

C. Long-term prepaid rent

The cost of land use rights are amortized using the straight-line basis over the lease term of 50 years.

(Continued)

(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.

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, deferred income tax assets and non-current assets held for sale) on every reporting date, and when there is an indication of impairment exist, the Group estimates its recoverable amount.

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. 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.

(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 for sales returns and discounts

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

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(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.

B. Defined benefit plans

The Company’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 fair value of any plan asset is 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 Company’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 Company, 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 Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefit of plan is improved, the expense of the increased benefit relating to the past services by the employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability, which comprise (1) actuarial gains

(Continued)

and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Company recognized them under retained earnings.

The Company recognizes the gains or losses on the curtailment or settlement of the defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of the plan assets and in the present value of the defined benefit obligation.

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.

(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.

(Continued)

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.

(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 convertible bonds payable, unvested restricted stock awards and employee remuneration through the issuance of shares. 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.

(Continued)

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

The preparation of the consolidated financial statements in conformity with the Regulations and 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 in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(1) Impairment of receivables

When there is objective evidence of impairment, the Group takes into consideration the estimation of future cash flows, the amount of the impairment loss according to historical payment experiences, its current financial position and aging of receivables of its customer. An impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(2) for further description of the impairment evaluation of receivables.

(2) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(3) for further description of the valuation of inventory.

(3) Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within the warranty period, the historical and anticipated warranty claims rate associated with similar products and services, and the projected unit cost of maintenance. The Group regularly reviews the basis of the estimate and, if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any change in the basis of the estimate. Please refer to note 6(9) for the recognition and measurement of provisions.

(Continued)

6. Description of Significant Accounts

(1) Cash and cash equivalents

		December 31, 2016	December 31, 2015
Cash, cash in bank and checking deposits	$	1,367,576	1,807,815
Time deposits		2,891,906	1,410,919
	$	4,259,482	3,218,734

Please refer to note 6(20) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets

A. Details were as follows:

		December 31, 2016	December 31, 2015
(a) Available-for-sale financial assets－current:			
Beneficiary certificates－mutual funds	$	1,465,075	739,716
Domestic listed stocks		426,551	-
	$	1,891,626	739,716
(b) Financial assets carried at cost－non-current:			
Foreign unlisted common stocks－			
GreenWave Holdings Inc.	$	56,195	56,195
NeWave Sensor Solutions LLC		31,450	31,450
Foreign unlisted preferred stocks－			
EL Preferred Holdings, Inc.		22,691	22,691
Movandi Corporation		15,720	-
	$	126,056	110,336

(c) Notes receivable

		December 31, 2016	December 31, 2015
Notes receivable from operating activities	$	230,542	322,707

(Continued)

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

	December 31, 2016	December 31, 2015
Current:		
Accounts receivable	$ 9,613,350	9,360,380
Other receivables (recorded in other financial assets－current)	88,809	102,547
Less: allowance for doubtful accounts	(78,789)	(61,903)
allowance for sales discounts	(52,522)	-
	$ 9,570,848	9,401,024
Non-current:		
Overdue receivable	$ 176,264	176,264
Less: allowance for doubtful accounts	(176,264)	(176,264)
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, 2016		December 31, 2015	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 8,467,800	-	9,038,337	-
Past due 0~60 days	1,147,333	31	571,711	302
Past due 61~90 days	86,259	39	57,703	-
Past due 91~180 days	129,100	-	104,436	2,831
Past due more than 181 days	379,946	254,983	328,539	235,034
	$10,210,438	255,053	10,100,726	238,167

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2016	$ 235,008	3,159	238,167
Impairment loss recognized(reversed)	28,243	(75)	28,168
Reversal of amounts received	(9,850)	-	(9,850)
Write-off for the period	(1,432)	-	(1,432)
Balance as of December 31, 2016	$ 251,969	3,084	255,053

(Continued)

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2015	$ 263,529	3,030	266,559
Impairment loss recognized	50,120	129	50,249
Reversal of amounts received	(37,367)	-	(37,367)
Write-off for the period	(41,274)	-	(41,274)
Balance as of December 31, 2015	**$ 235,008**	**3,159**	**238,167**

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 receivables 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.

B. Sensitivity analysis

If there had been an increase or decrease in the fair value of securities of 1% on the reporting date, after-tax, other comprehensive income would have increased (or decreased) by $18,916 and $7,397 for the years ended December 31, 2016 and 2015, 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 Company uses derivative instruments to hedge certain currency risk the Company is exposed to arising from its operating, financing and investing activities. The related transactions had been settled as of December 31, 2016. The Company held the following derivative instruments not used for hedging and presented them as financial assets at fair value through profit or loss as of December 31, 2015:

Unit: foreign currency thousand

	December 31, 2015		
	Contract amount	**Currency**	**Maturity date**
Sell－forward foreign currency exchange contracts	USD 2,000	Sell USD/ Buy TWD	January 11, 2016 ~January 15, 2016

As of December 31, 2016 and 2015, the carrying amounts of related derivative financial assets were $0 and $172, respectively.

(Continued)

(3) Inventories, net

		December 31, 2016	December 31, 2015
Raw materials	$	2,567,788	2,212,463
Work in process and semi-finished products		470,000	629,433
Finished goods		3,132,933	3,746,625
	$	**6,170,721**	**6,588,521**

The details of operating costs were as follows:

		For the years ended December 31, 2016	For the years ended December 31, 2015
Cost of goods sold	$	45,358,211	45,231,238
Inventory devaluation loss		131,022	56,810
Revenue from sale of scrap		(25,241)	(34,916)
Physical inventory gain		(126)	(813)
	$	**45,463,866**	**45,252,319**

(4) Non-current assets held for sale

On November 9, 2016, the Company's board of directors approved to sell its building to Integrated Service Technology Inc. in the disposal amount of $356,000(tax excluded). The building is located at No. 10-1, Lihsin 1st Rd., Hsinchu City 300, Taiwan (R.O.C.). The transfer shall be completed in the first quarter of 2017. The property, plant and equipment presented as a disposal group held for sale were as follows:

		December 31, 2016
Property, plant and equipment	**$**	**262,859**

(5) Investments accounted for using equity method

Aggregate information of associates which is accounted for using equity method, that are not individually material to the Group which included in the consolidated financial statements of the Group was as follows:

		December 31, 2016	December 31, 2015
Aggregate information of associates that are not individually material	$	**133,123**	**151,148**

(Continued)

Shares attributable to the Group were as follows:

		For the years ended December 31, 2016	2015
Net income	$	1,876	17,717
Other comprehensive income		-	-
Total comprehensive income	$	1,876	17,717

(6) Property, plant and equipment

	Building	Machinery and equipment	Research and development equipment	Other equipment	Constructionin progress and equipment awaiting inspection	Total
Cost:						
Balance as of January 1, 2016	$ 4,460,634	5,798,529	724,805	1,071,812	670,657	12,726,437
Additions	552,380	209,924	148,615	141,832	537,808	1,590,559
Disposals and obsolescence	(1,011)	(179,070)	(1,641)	(16,221)	-	(197,943)
Reclassification	282,404	276,468	32,533	53,805	(1,031,959)	(386,749)
Effect of exchange rate changes	(205,002)	(357,469)	(4,707)	(77,705)	(2,835)	(647,718)
Balance as of December 31, 2016	$ 5,089,405	5,748,382	899,605	1,173,523	173,671	13,084,586
Balance as of January 1, 2015	$ 3,973,269	4,876,018	656,788	771,307	453,273	10,730,655
Additions	33,937	462,192	55,917	275,117	1,464,493	2,291,656
Disposals and obsolescence	(15,573)	(233,296)	(2,383)	(31,216)	-	(282,468)
Reclassification	480,028	709,549	14,708	58,700	(1,253,959)	9,026
Effect of exchange rate changes	(11,027)	(15,934)	(225)	(2,096)	6,850	(22,432)
Balance as of December 31, 2015	$ 4,460,634	5,798,529	724,805	1,071,812	670,657	12,726,437
Accumulated depreciation:						
Balance as of January 1, 2016	$ 1,440,033	3,686,315	568,876	633,030	-	6,328,254
Depreciation for the period	250,726	746,573	87,556	194,676	-	1,279,531
Disposals and obsolescence	(1,011)	(167,847)	(1,641)	(15,720)	-	(186,219)
Reclassification	(147,438)	(36)	-	-	-	(147,474)
Effect of exchange rate changes	(73,932)	(234,485)	(3,479)	(43,156)	-	(355,052)
Balance as of December 31, 2016	$ 1,468,378	4,030,520	651,312	768,830	-	6,919,040
Balance as of January 1, 2015	$ 1,257,986	3,214,626	498,971	526,432	-	5,498,015
Depreciation for the period	200,695	691,371	72,402	138,900	-	1,103,368
Disposals and obsolescence	(15,573)	(211,499)	(2,383)	(30,895)	-	(260,350)
Effect of exchange rate changes	(3,075)	(8,183)	(114)	(1,407)	-	(12,779)
Balance as of December 31, 2015	$ 1,440,033	3,686,315	568,876	633,030	-	6,328,254
Book value:						
Balance as of December 31, 2016	$ 3,621,027	1,717,862	248,293	404,693	173,671	6,165,546
Balance as of December 31, 2015	$ 3,020,601	2,112,214	155,929	438,782	670,657	6,398,183

(Continued)

(7) Intangible assets

		Software	Royalty	Total
Cost:				
Balance as of January 1, 2016	$	167,961	20,273	188,234
Additions		41,471	4,036	45,507
Write-off		(63,350)	(12,966)	(76,316)
Effect of exchange rate changes		(473)	-	(473)
Balance as of December 31, 2016	$	145,609	11,343	156,952
Balance as of January 1, 2015	$	144,952	48,874	193,826
Additions		52,424	7,307	59,731
Write-off		(29,424)	(35,908)	(65,332)
Effect of exchange rate changes		9	-	9
Balance as of December 31, 2015	$	167,961	20,273	188,234
Amortization:				
Balance as of January 1, 2016	$	115,382	16,079	131,461
Amortization for the period		54,796	6,548	61,344
Write-off		(63,350)	(12,966)	(76,316)
Effect of exchange rate changes		(451)	-	(451)
Balance as of December 31, 2016	$	106,377	9,661	116,038
Balance as of January 1, 2015	$	87,504	46,640	134,144
Amortization for the period		57,313	5,347	62,660
Write-off		(29,424)	(35,908)	(65,332)
Effect of exchange rate changes		(11)	-	(11)
Balance as of December 31, 2015	$	115,382	16,079	131,461
Book value:				
Balance as of December 31, 2016	$	39,232	1,682	40,914
Balance as of December 31, 2015	$	52,579	4,194	56,773

(8) Short-term borrowings

	December 31, 2016				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	1.18%~1.90%	2017	$	2,128,299
Unsecured bank loans	EUR	0.790%	2017		111,964
Unsecured bank loans	CNY	4.35%	2017		119,130
Total				$	2,359,393

(Continued)

	December 31, 2015			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	USD	0.717%~1.355%	2016	$ 1,945,112
Unsecured bank loans	EUR	0.850%~0.900%	2016	122,768
Total				$ 2,067,880

Please refer to note 6(20) 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, 2016	$ 176,072	55,254	231,326
Provisions made (reversed) for the period	102,563	(4,867)	97,696
Provisions utilized during the period	(41,238)	(1,143)	(42,381)
Provisions reclassify for the period	-	(27,539)	(27,539)
Balance as of December 31, 2016	$ 237,397	21,705	259,102
Balance as of January 1, 2015	$ 90,136	30,064	120,200
Provisions made for the period	128,852	33,770	162,622
Provisions utilized during the period	(42,916)	(8,580)	(51,496)
Balance as of December 31, 2015	$ 176,072	55,254	231,326

(10) Bonds payable

	December 31,	
	2016	**2015**
Convertible bonds payable	$ 1,500,000	-
Unamortized bonds payable discount	(38,309)	-
Accumulated amount of converted bonds	(81,200)	-
Book value	$ 1,380,491	-
Equity element – conversion options (recorded in capital surplus – share options)	$ 126,230	74,160

	For the years ended December 31,	
	2016	**2015**
Interest expense	$ 19,607	-

The significant terms of the unsecured convertible bonds payable issued in January 2016 are summarized as follows:

(Continued)

Par value:	$1,500,000
Maturity date:	January 5, 2019
Coupon rate:	0%
Conversion price:	The conversion price is calculated as 104.10% of the basis price, which is the average price among the arithmetic averages of the Company's closing prices for three business days before the basis date. Using the above approach, the conversion price of the issuance was $88 per share. The above conversion price has been adjusted down to $81.7 per share since August 17, 2016.
Conversion method:	Except for the closed period, bondholders may convert bonds into the Company's ordinary shares at any time between February 6, 2016 and January 5, 2019.

Please refer to Note 6(14) for the conversion of 2nd unsecured convertible bonds issued in 2016.

(11) Operating lease

A. Lessee

For the years ended December 31, 2016 and 2015, $30,300 and $13,569, 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 $2,540. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2016 and 2015, the operating leases of $8,208 and $4,634, respectively, were recognized as rental income.

C. Long-term prepaid rent

The Group obtained its land use rights according to the operating lease agreement. The lease agreement covers a period of 50 years, and the Group paid all the rental amounts in advance. For the years ended December 31, 2016 and 2015, the amounts of $1,826 and $1,904, respectively, were recognized as expenses in profit or loss. As of December 31, 2016 and 2015, the unamortized balance were $69,128 and $77,626, respectively.

(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,	
		2016	**2015**
Present value of the defined benefit obligation	$	263,917	242,377
Fair value of plan assets		(165,439)	(156,900)
Net defined benefit liabilities	**$**	**98,478**	**85,477**

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 $165,439 as of December 31, 2016. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(Continued)

(b) Movements in the present value of the defined benefit obligation

The movements in the present value of the defined benefit obligation of the Company for the years ended December 31, 2016 and 2015 were as follows:

		For the years ended December 31, 2016	2015
Defined benefit obligation as of January 1	$	242,377	166,809
Current service costs and interest		4,948	4,531
Remeasurements of the net defined benefit liabilities			
Actuarial loss (gain) arising from experience adjustments		(1,516)	34,907
Actuarial loss (gain) arising from changes in financial assumptions		18,108	36,130
Defined benefit obligation as of December 31	**$**	**263,917**	**242,377**

(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company for the years ended December 31, 2016 and 2015 were as follows:

		For the years ended December 31, 2016	2015
Fair value of plan assets as of January 1	$	156,900	145,682
Interest income		2,992	2,966
Remeasurements of the net defined benefit liabilities			
Return on plan assets (excluding current interest)		(1,854)	910
Contributions made		7,401	7,342
Fair value of plan assets as of December 31	**$**	**165,439**	**156,900**

(Continued)

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2016 and 2015, were as follows:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Current service costs	$ 422	1,215
Net interest on the net defined benefit liabilities	1,534	350
	$ 1,956	1,565

(e) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurements of the net defined benefit liabilities recognized as accumulated in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Cumulative amount as of January 1	$ (138,422)	(68,295)
Recognized for the period	(18,446)	(70,127)
Cumulative amount as of December 31	$ (156,868)	(138,422)

(f) Actuarial assumptions

The following are the Company's significant actuarial assumptions of the present value of the defined benefit obligation:

	December 31, 2016	December 31, 2015
Discount rate	1.375%	1.875%
Future salary increase rate	4.00%	4.00%

The Company expects to make a contribution of $7,406 to its defined benefit plans in the following year, beginning December 31, 2016.

The weighted-average duration of the defined benefit obligation is 17.26 years.

(Continued)

(h) Sensitivity analysis

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.

If there is a change in the actuarial assumptions as of the December 31, 2016, the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
Discount rate	$ (12,085)	6,561
Future salary increase rate	$ 6,170	(11,742)

Reasonably possible changes to one of the relevant actuarial assumptions on December 31, 2016, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Company contributes 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 their respective defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution plan were $217,817 and $188,707 for the years ended December 31, 2016 and 2015, respectively.

(Continued)

(13) Income tax

A. Income tax expenses

The amount of income tax expenses for the years ended December 31, 2016 and 2015, was as follows:

		For the years ended December 31,	
		2016	**2015**
Current income tax expense			
Current period	$	604,512	592,977
10% surtax on unappropriated retained earnings		37,615	28,077
Adjustment for prior period		(22,964)	17,011
		619,163	638,065
Deferred income tax expense			
Origination and reversal of temporary differences		(32,020)	(60,942)
Income tax expenses	**$**	**587,143**	**577,123**

The amount of income tax expenses recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

		For the years ended December 31,	
		2016	**2015**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit plans	**$**	**3,136**	**11,922**
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign financial statements	**$**	**78,300**	**992**

(Continued)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2016 and 2015 was as follows:

	For the years ended December 31,	
	2016	**2015**
Income before income tax	$ 2,629,743	2,549,631
Income tax at the Company's domestic tax rate	$ 447,056	433,437
Effect of different tax rates in foreign jurisdictions	89,070	76,712
Non-deductible expenses	64,901	47,645
Tax-exempt income	(38,637)	(25,759)
10% surtax on unappropriated retained earnings	37,615	28,077
Under (over)-provision in prior periods and others	(12,862)	17,011
Total	$ 587,143	577,123

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 (profit) loss from sales	Unrealized foreign exchange loss (gain)	Others	Total
Balance as of January 1, 2016	$ 23,532	20,358	17,309	82,226	4,286	146,586	294,297
Recognized in profit or loss	-	3,617	14,958	41,219	(4,286)	39,572	95,080
Recognized in other comprehensive income	3,136	-	-	-	-	-	3,136
Balance as of December 31, 2016	$ 26,668	23,975	32,267	123,445	-	186,158	392,513
Balance as of January 1, 2015	$ 11,610	32,218	19,002	21,674	-	78,616	163,120
Recognized in profit or loss	-	(11,860)	(1,693)	60,552	4,286	67,970	119,255
Recognized in other comprehensive income	11,922	-	-	-	-	-	11,922
Balance as of December 31, 2015	$ 23,532	20,358	17,309	82,226	4,286	146,586	294,297

(Continued)

Deferred tax liabilities:

	Share of profit of subsidiaries 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, 2016	$ (435,525)	(79,453)	-	(30)	(515,008)
Recognized in profit or loss	(57,904)	-	(5,186)	30	(63,060)
Recognized in other comprehensive income	-	78,300	-	-	78,300
Balance as of December 31, 2016	$ (493,429)	(1,153)	5,186)	-	(499,768)
Balance as of January 1, 2015	$ (376,722)	(80,445)	(520)	-	(457,687)
Recognized in profit or loss	(58,803)	-	520	(30)	(58,313)
Recognized in other comprehensive income	-	992	-	-	992
Balance as of December 31, 2015	$ (435,525)	(79,453)	-	(30)	(515,008)

C. The Company's tax returns have been examined by the tax authorities through 2014, except for the income tax return for 2013, which is still under review by the tax authorities.

D. Integrated income tax information:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	$ 5,463,492	4,973,487
Balance of deductible tax account	$ 852,160	698,610

	For the years ended December 31, 2016 (estimated)	For the years ended December 31, 2015 (actual)
Tax deduction ratio for earnings distribution to R.O.C. residents	20.26%	18.58%

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. Effective January 1, 2015, the tax deduction ratio for individual shareholder residing in the R.O.C. will be reduced by half for dividend distribution according to the revised Article 66-6 of the Income Tax Act.

(Continued)

(14) Capital and other equity interest

A. Issuance and expiration of ordinary shares

As of December 31, 2016 and 2015, the authorized capital of the Company amounted to $5,000,000, of which included the amount of $250,000 reserved for employee share options; the issued capital amounted to $3,526,975 and $3,353,187, respectively.

As of December 31, 2016, the Company cancelled 242 thousand shares of restricted stock awarded to its employees, of which, 148 thousand shares were cancelled. The recognition date for the capital reduction of the 148 thousand shares was December 27, 2016, and all related registration procedures had been completed on January 9, 2017. The Company issued 6,990 thousand shares of restricted stock awards for the year ended December 31, 2016. New ordinary shares of stock totaling 994 thousand shares were issued from the conversion of convertible bonds, of which, 420 thousand shares were accounted for under advance receipts for share capital as the registration procedures were not yet to be completed as of December 31, 2016.

Pursuant to a shareholders' resolution on June 16, 2016, the Company increased its ordinary share capital by 10,057 thousand shares through the transfer of stock dividends amounting to $100,568. The effective date of the capital increase was August 17, 2016, which has already been registered with the government authorities.

Pursuant to a shareholders' resolution on June 10, 2015, the Company increased its ordinary share capital by 6,575 thousand shares through the transfer of stock dividends of $65,753. The effective date of the capital increase was August 13, 2015, which has already been registered with the government authorities.

As of December 31, 2015, the restricted stock awards had expired, of which, 94 thousand shares have not been cancelled.

B. Capital surplus

		December 31,	
		2016	**2015**
Capital surplus－premium	$	2,157,404	2,005,029
Treasury stock sold to employees		100,454	100,454
Conversion options of bonds		126,230	74,160
Restricted stock awards		343,053	153,554
Convertible bonds payable－premium		71,817	-
Capital surplus from merger		36,653	36,653
	$	**2,835,611**	**2,369,850**

(Continued)

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

C. Retained earnings

(a) Legal reserve

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

(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, 2016 and 2015.

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.

(Continued)

(c) Earnings distribution

According to the Company's Articles of Incorporation, if the Company shows a year-end after-tax profit, it shall firstly make up any accumulated losses. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, with no less than 10% as dividends to shareholders, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The following are the appropriation of earnings in 2015 and 2014 which were approved during the shareholders' meeting held on June 16, 2016 and June 10, 2015, respectively:

	2015		2014	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.7000	1,240,331	2.7000	887,661
Shares	0.3000	100,568	0.2000	65,753
		$ 1,340,899		$ 953,414

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The related information is available on the Market Observation Post System website.

The appropriation of earnings in 2016 will be presented for resolution in the Board of Directors' meeting on March 15, 2017 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meeting.

(Continued)

(15) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2016, is as follows:

	Restricted stock awards		
	Issued in 2016	**Issued in 2014**	**Issued in 2013**
Grant date	November 1, 2016	September 15, 2014	November 12, 2013
Granted units (thousands)	6,990	390	7,110
Contractual life	1~3 years	1~3 years	1~3 years
Vesting condition	Note	Note	Note
Price per share (TWD)	0	0	0
Adjusted exercise price (TWD)	0	0	0

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The restricted stock awards 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 at the grant date, and the assumptions adopted in this valuation model was as follows:

	Restricted stock awards		
	Issued in 2016	**Issued in 2014**	**Issued in 2013**
Exercise price (TWD)	0	0	0
Current market price at grant date (TWD)	87	73.8	69.6
Expected cash dividend yield	0%	0%	0%
Expected volatility	31.45%/36.72% /34.31%	29.27%	30.85%
Risk-free interest rate	0.23%/0.25%/0.28%	0.5005%/0.6871% /0.8971%	0.6042%/0.6905% /0.8455%
Expected remaining contractual life of the awards	1~3 years	1~3 years	1~3 years

(Continued)

C. Restricted stock awards

On June 16, 2016, 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 FSC. On August 10, 2016, the Board of Directors approved a resolution to issue 6,990 thousand shares of restricted stock awards to its employees. The effective dates of the capital increase was November 1, 2016, 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.

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 FSC. 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.

For the years ended December 31, 2016, 2014 and 2013, the Company issued the restricted stock awards of 6,990, 390 and 7,110 thousand shares, respectively, to its employees, which resulted in a capital surplus－restricted stock awards of $338,981, $13,399 and $130,276, respectively. For the years ended December 31, 2016 and 2015, 242 thousand shares and 20 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $2,420 and $200, respectively. As of December 31, 2016 and 2015, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $317,778 and $51,485, respectively. Such deferred amounts were recorded as deduction of other equity.

(Continued)

For the year ended December 31, 2016, the Company recognized the salary costs of $919 and $418, respectively, from the distribution of cash and stock dividends to its employees, which are estimated using non-vesting conditions from the issuance of restricted stock awards from the prior period earnings in 2015 and 2014. Such unrealized salary costs were credited under capital surplus and retained earnings amounting to $472 and $865, respectively.

(16) Earnings per share

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

	For the years ended December 31,	
	2016	**2015**
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 2,042,600	1,972,508
Weighted-average number of ordinary shares (in thousands)	343,275	330,627
Basic earnings per share (TWD)	$ 5.95	5.97
Basic earnings per share－retrospectively adjusted (TWD)		$ 5.80
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 2,042,600	1,972,508
Interest expense on convertible bonds, net of tax	16,274	-
Net income attributable to ordinary shareholders of the Company (diluted)	$ 2,058,874	1,972,508
Weighted-average number of ordinary shares (in thousands) (basic)	343,275	330,627
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee remuneration	3,880	4,199
Effect of unvested restricted stock awards	2,337	4,136
Effect of conversion of convertible bonds	16,627	-
Weighted-average number of ordinary shares (in thousands) (diluted)	366,119	338,962
Diluted earnings per share (TWD)	$ 5.62	5.82
Diluted earnings per share－retrospectively adjusted (TWD)		$ 5.65

(Continued)

(17) Operating revenues

		For the years ended December 31, 2016	2015
Wireless communication products	$	50,801,449	50,493,654
Others		1,978,048	1,689,564
	$	**52,779,497**	**52,183,218**

(18) Remuneration to employees and directors

The Company's Articles of Incorporation require that profits (income before tax excluding the amounts of employees' and directors' remuneration) shall first be used to offset against any deficit, and the remainder, if any, should be distributed as follows:

(i) No less than 5% as employees' remuneration; where such remuneration is distributed by shares or as cash; employee of controlled companies, with qualifications set by the Board of Directors, can be included.

(ii) No more than 1% as director's remuneration in cash to directors.

The remunerations to employees amounted to $276,122 and $268,971, and the remunerations to directors amounted to $19,723 and $19,212 for the years ended December 31, 2016 and 2015, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There were no differences between the amounts of employees' and directors' remuneration allocated by the aforesaid board resolutions and the amounts in the parent-company-only financial statements of 2016 and 2015.

(19) Non-operating income and expenses

A. Other income

		For the years ended December 31, 2016	2015
Dividend income	$	17,185	-
Interest income		15,532	21,732
Rental income (note 6(11))		8,208	4,634
Reversal of doubtful accounts recorded in other income		9,850	37,367
Others		79,859	44,371
	$	**130,634**	**108,104**

(Continued)

B. Other gains and losses, net

		For the years ended December 31, 2016	2015
Foreign exchange gains (losses), net	$	(141,545)	131,666
Gain (loss) on disposal of investment, net:			
Gain on disposal of available-for-sale financial assets		2,571	7,977
Loss on disposal of financial assets carried at cost		-	(24,020)
Gain (loss) on disposal of property, plant and equipment		7,221	(12,756)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss		(172)	1,042
	$	(131,925)	103,909

C. Finance costs

		For the years ended December 31, 2016	2015
Interest expense – bonds payable (note 6(10))	$	19,607	-
Interest expense – short-term borrowings		28,233	27,633
Interest expense – lease obligations payable		191	165
	$	48,031	27,798

(20) Financial instruments

A. Credit risk

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

Please refer to note 6(21) for the credit risk analysis of cash and cash equivalents and receivables.

B. 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), salary and bonus payable and other accrued expenses.

(Continued)

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2016					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 2,020,463	2,022,174	2,022,174	-	-
Unsecured variable-rate bank loans	338,930	339,054	339,054	-	-
Unsecured convertible bonds payable	1,380,491	1,418,800	-	-	1,418,800
	$ 3,739,884	**3,780,028**	**2,361,228**	**-**	**1,418,800**
December 31, 2015					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,965,640	1,967,139	1,967,139	-	-
Unsecured variable-rate bank loans	102,240	102,294	102,294	-	-
	$ 2,067,880	**2,069,433**	**2,069,433**	**-**	**-**

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2016		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 235,151	32.279	7,590,432
Investments accounted for using equity method			
USD	4,124	32.279	133,123
Financial liabilities			
Monetary items			
USD	319,525	32.279	10,313,952

(Continued)

	December 31, 2015		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 241,772	33.066	7,994,436
Investments accounted for using equity method			
USD	4,571	33.066	151,148
Financial liabilities			
Monetary items			
USD	331,270	33.066	10,953,788

(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, 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, 2016 and 2015, as illustrated below:

		For the years ended December 31,	
	Range of the fluctuations	**2016**	**2015**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ (70,030)	(74,283)
	Appreciation of TWD 1 against the USD	$ 70,030	74,283

(c) Foreign exchange gains (losses) on monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains (losses) on monetary items amounted to $(141,545) and $131,666 for the years ended December 31, 2016 and 2015, respectively.

D. Interest rate analysis

The Group's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of financial risk management.

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

(Continued)

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, 2016 and 2015, as illustrated below:

	Range of fluctuations	For the years ended December 31, 2016	2015
Annual interest rate	Increase of 1%	$ (2,813)	(849)
	Decrease of 1%	$ 2,813	849

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The Group's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	December 31, 2016				
	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Beneficiary certificates – mutual funds	$ 1,465,075	1,465,075	-	-	1,465,075
Domestic listed stocks	426,551	426,551	-	-	426,551
	1,891,626	1,891,626	-	-	1,891,626
Loans and receivables					
Cash and cash equivalents	$ 4,259,482	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	9,814,054	-	-	-	-
Other financial assets – current	109,950	-	-	-	-
Refundable deposits	7,605	-	-	-	-
	$ 14,191,091	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,359,393	-	-	-	-
Notes and accounts payable (including related parties)	8,394,856	-	-	-	-
Bonds payable	1,380,491	1,569,902	-	-	1,569,902
	$ 12,134,740	1,569,902	-	-	1,569,902

(Continued)

	December 31, 2015				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held for trading financial instruments – foreign currency forward contracts	$ **172**	**-**	**172**	**-**	**172**
Available-for-sale financial assets					
Beneficiary certificates – mutual funds	**$ 739,716**	**739,716**	**-**	**-**	**739,716**
Loans and receivables					
Cash and cash equivalents	$ 3,218,734	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	9,760,012	-	-	-	-
Other financial assets – current	118,208	-	-	-	-
Refundable deposits	8,937	-	-	-	-
	$ 13,105,891	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,067,880	-	-	-	-
Notes and accounts payable (including related parties)	9,293,892	-	-	-	-
	$ 11,361,772	**-**	**-**	**-**	**-**

(b) Valuation techniques for financial instruments not measured at fair value

The Group estimates the financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost based on the latest quoted price and agreed-upon price if these prices are available in active markets. When market value is unavailable, the fair value of financial liabilities are evaluated based on the discounted cash flow of the financial liabilities.

(Continued)

(c) Valuation techniques for financial instruments that are measured at fair value

(i) Non derivative financial instruments

The Group held its financial instruments presented as beneficiary certificates-mutual funds, domestic listed stocks and convertible bonds payable which are measured at fair value according to standard provisions and conditions; the fair value is measured using the quoted prices in an active market.

(ii) Derivative financial instruments

Foreign currency forward contract is measured based on the current forward exchange rate.

There is no transfer between the levels for the years ended December 31, 2016 and 2015.

(21) 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. Further quantitative disclosures are included throughout these consolidated financial statements.

B. Objectives and policies for managing risk

Other than derivative financial instruments, the main financial instruments of the Group is cash and cash equivalents that are used to maintain a balance between continuity of funding and flexibility. The other financial assets and liabilities held by the Group include accounts receivable and payable, which 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.

(Continued)

In accordance with a reviewed policy, the Group will not engage in derivative financial instruments for the purpose of speculation.

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 deposits its cash and cash equivalents 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 performs a periodic evaluation on its uncollected accounts receivable. Before delivery it also needs to assess the creditworthy of the customers. For the years ended December 31, 2016 and 2015, the biggest customers were A and B. However, 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 sales transactions. 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. For related information about endorsement guarantee, please refer to note 13.

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).

(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 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 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.

(22) 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, 2016.

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

		December 31,	
		2016	**2015**
Total liabilities	$	16,603,272	15,463,541
Less: cash and cash equivalents		(4,259,482)	(3,218,734)
Net debt	**$**	**12,343,790**	**12,244,807**
Total equity	**$**	**13,168,640**	**12,392,459**
Debt-to-adjusted-capital ratio		**93.74%**	**98.81%**

As of December 31, 2016, the debt-to-adjusted-capital ratio had deceased due to the issuance of restricted stock awards and the conversion of convertible bonds which resulted in an increase in the Company's equity.

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

		For the years ended December 31,	
Related Party Category		**2016**	**2015**
Entities with significant influence over the Group	$	363,290	458,008
Associate		37	4,882
	$	**363,327**	**462,890**

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

(Continued)

B. Purchases

Related Party Category		For the years ended December 31, 2016	2015
Associate	$	420,216	557,884
Entities with significant influence over the Group		4,245	1,645
	$	**424,461**	**559,529**

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with unrelated 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, 2016	2015
Entities with significant influence over the Group	$	101,473	138,794
Associate		-	34
	$	**101,473**	**138,828**

D. Accounts payable to related parties

Related Party Category		December 31, 2016	2015
Associate	$	62,231	102,258
Entities with significant influence over the Group		-	981
		62,231	**103,239**

E. Prepayments to related parties

The details of prepayments to related parties were as follows:

Related Party Category		December 31, 2016	2015
Entities with significant influence over the Group	$	**-**	**279**

(Continued)

F. 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, 2016	For the years ended December 31, 2015
Associate	$ 15,444	22,973

Related Party Category	December 31, 2016	December 31, 2015
Associate	$ 2,951	2,660

(b) Disposal of property, plant and equipment

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

Related Party Category	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Disposal Proceeds	Gains (losses) from disposal	Disposal Proceeds	Gains (losses) from disposal
Associate	$ 122	122	3	3

As of December 31, 2016 and 2015, receivables resulting from the above transactions had been settled.

G. Other transactions

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

Related Party Category	For the years ended December 31, 2016	For the years ended December 31, 2015
Entities with significant influence over the Group	$ 7,883	71,508
Associate	865	3,211
	$ 8,748	74,719

(Continued)

Related Party Category		December 31, 2016	December 31, 2015
Entities with significant influence over the Group	$	549	7,133
Associate		392	466
	$	**941**	**7,599**

(b) The amount paid by the Group to its related parties for rental expenses incurred under the dormitory lease agreement, and related unpaid balances were as follows:

		For the years ended December 31,			
		2016		2015	
Related Party Category		**Amount of the transaction**	**Accounts payable to related parties**	**Amount of the transaction**	**Accounts payable to related parties**
Entities with significant influence over the Group	$	**5,379**	**357**	**-**	**-**

As of December 31, 2016, the Group paid the refundable deposits (derived from the operating leases) to its related parties amounting to $96.

(c) For the year ended December 31, 2016, the Group had received the cash dividend and stock dividend from its related parties amounting to $17,185. As of December 31, 2016, the receivables resulting from the above transactions had been settled.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

		For the years ended December 31, 2016	For the years ended December 31, 2015
Short-term employee benefits	$	151,792	116,688
Post-employment benefits		1,107	1,087
Share-based payment		46,898	46,858
	$	**199,797**	**164,633**

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

(Continued)

8. Pledged Assets:

The carrying values of the Group's pledged assets are as follows:

Assets	Purpose of Pledged	December 31, 2016	December 31, 2015
Time deposits (recorded in other financial assets－current)	Guarantees for land lease agreements	$ 20,000	-

9. Significant Commitments and Contingencies:

Expect note 6(11), the Company entered into agreement with the Industrial Development Bureau, Ministry of Economic Affairs, which provided a promissory note amounting to $52,500 as of December 31, 2016.

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

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

By function / By item	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	2,787,760	2,464,416	5,252,176	2,747,001	2,491,731	5,238,732
Labor and health insurance	124,126	139,770	263,896	108,673	130,263	238,936
Pension	136,534	83,239	219,773	112,132	78,140	190,272
Others	141,028	99,451	240,479	118,661	82,817	201,478
Depreciation	980,259	299,272	1,279,531	815,175	288,193	1,103,368
Amortization	7,240	54,104	61,344	6,089	56,571	62,660

(Continued)

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, please see the consolidated balance sheets.

(2) Products and services information

Revenues of the Group from external customers:

	For the years ended December 31, 2016	For the years ended December 31, 2015
Wireless communication products	$ 50,801,449	50,493,654
Others	1,978,048	1,689,564
	$ 52,779,497	**52,183,218**

(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, 2016	For the years ended December 31, 2015
Revenues from external customers:		
Americas	$ 27,269,132	28,382,614
Asia	17,117,889	16,956,663
Europe	8,293,913	6,728,575
Others	98,563	115,366
	$ 52,779,497	**52,183,218**

	December 31, 2016	December 31, 2015
Non-current assets		
Americas	$ 1,090	2,301
Europe	401	-
Asia	6,392,721	6,667,298
	$ 6,394,212	**6,669,599**

(4) Major customer information

(Continued)

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

	For the years ended December 31,			
	2016		2015	
	Amount	% of net sales	Amount	% of net sales
Customer A	$ 5,375,495	10	6,404,227	12
Customer B	4,959,619	9	5,951,478	11
	$ 10,335,114	19	12,355,705	23

14. Convenience Translation into United States dollars (USD)

The consolidated financial statements are stated in thousands of TWD. The amounts have been translated into thousands of USD solely for the convenience of the readers, using the rate of TWD 32.279 to USD 1. The convenience translations should not be construed as representations that the TWD amounts have been, could have been, or could in the future be, converted into USD at this rate or any other rate of exchange.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of USD)

		December 31, 2016		December 31, 2015	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents	$	131,958	14	99,716	12
Financial assets at fair value through profit or loss－current		-	-	5	-
Available-for-sale financial assets－current		58,602	6	22,916	3
Notes receivable		7,142	1	9,998	1
Accounts receivable, net		293,753	32	288,066	33
Accounts receivable from related parties		3,144	-	4,301	-
Inventories, net		191,168	21	204,112	24
Non-current assets held for sale		8,144	1	-	-
Other financial assets－current		3,406	-	3,662	-
Other current assets		6,497	1	6,082	1
Total current assets		703,814	76	638,858	74
Non-current assets:					
Financial assets carried at cost－non-current		3,905	-	3,418	-
Investments accounted for using equity method		4,124	1	4,682	1
Property, plant and equipment		191,008	21	198,215	23
Intangible assets		1,268	-	1,759	-
Deferred tax assets		12,160	1	9,117	1
Refundable deposits		236	-	277	-
Other non-current assets		5,816	1	6,650	1
Total non-current assets		218,517	24	224,118	26
Total assets	**$**	**922,331**	**100**	**862,976**	**100**

(Continued)

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Wistron NeWeb Corporation and Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2016 and 2015

(expressed in thousands of USD)

	December 31, 2016		December 31, 2015	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings	$ 73,094	8	64,063	8
Notes and accounts payable	258,012	28	284,408	33
Accounts payable to related parties	2,060	-	3,516	-
Salary and bonus payable	43,698	5	43,724	5
Other accrued expenses	31,366	3	32,162	4
Provisions－current	8,027	1	7,166	1
Other current liabilities	36,703	4	25,276	3
Total current liabilities	452,960	49	460,315	54
Non-current liabilities:				
Bonds payable	42,767	5	-	-
Deferred tax liabilities	15,483	2	15,955	2
Net defined benefit liabilities－non-current	3,051	-	2,648	-
Other non-current liabilities	107	-	141	-
Total non-current liabilities	61,408	7	18,744	2
Total liabilities	514,368	56	479,059	56
Equity:				
Ordinary share capital	109,265	12	103,881	12
Advance receipts for share capital	130	-	-	-
Capital surplus	87,847	9	73,418	8
Retained earnings	221,942	24	200,651	23
Other equity interest	(11,221)	(1)	5,967	1
Total equity	407,963	44	383,917	44
Total liabilities and equity	**$ 922,331**	**100**	**862,976**	**100**

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(expressed in thousands of USD)

	For the years ended December 31,			
	2016		2015	
	Amount	%	Amount	%
Net operating revenues	$ 1,635,103	100	1,616,631	100
Operating costs	1,408,466	86	1,401,912	87
Gross profit	226,637	14	214,719	13
Operating expenses:				
Selling	52,662	3	50,200	3
General and administrative	28,963	2	28,439	1
Research and development	62,073	4	63,349	4
Total operating expenses	143,698	9	141,988	8
Net operating income	82,939	5	72,731	5
Non-operating income and expenses:				
Other income	4,047	-	3,349	-
Other gains and losses, net	(4,087)	-	3,219	-
Finance costs	(1,488)	-	(861)	-
Share of profit of associates accounted for using equity method	58	-	549	-
Total non-operating income and expenses	(1,470)	-	6,256	-
Income before income tax	81,469	5	78,987	5
Income tax expense	18,189	1	17,879	1
Net income	**63,280**	**4**	**61,108**	**4**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans	(571)	-	(2,172)	-
Income tax relating to items that will be not reclassified subsequently	97	-	369	-
Total items that will not be reclassified subsequently to profit or loss	(474)	-	(1,803)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(14,268)	(1)	(181)	-
Unrealized gains (losses) on available-for-sale financial assets	2,904	-	(106)	-
Income tax relating to items that may be reclassified subsequently	2,425	-	31	-
Total items that may be reclassified subsequently to profit or loss	(8,939)	(1)	(256)	-
Other comprehensive income	(9,413)	(1)	(2,059)	-
Total comprehensive income	**$ 53,867**	**3**	**59,049**	**4**
Earnings per share (USD)				
Basic earnings per share	**$**	**0.18**		**0.18**
Diluted earnings per share	**$**	**0.17**		**0.18**

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)
Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(expressed in thousands of USD)

				Retained earnings				Other equity interest				
	Ordinary share capital	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated 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, 2015	$ 101,851	-	73,412	38,959	3,350	128,574	170,883	7,675	143	(5,889)	1,929	348,075
Net income for the period	-	-	-	-	-	61,108	61,108	-	-	-	-	61,108
Other comprehensive income for the period	-	-	-	-	-	(1,803)	(1,803)	(150)	(106)	-	(256)	(2,059)
Total comprehensive income for the period	-	-	-	-	-	59,305	59,305	(150)	(106)	-	(256)	59,049
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	4,264	-	(4,264)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(27,501)	(27,501)	-	-	-	-	(27,501)
Stock dividends distributed to shareholder	2,036	-	-	-	-	(2,036)	(2,036)	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	4,294	4,294	4,294
Expiration of restricted stock awards	(6)	-	6	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2015	103,881	-	73,418	43,223	3,350	154,078	200,651	7,525	37	(1,595)	5,967	383,917
Net income for the period	-	-	-	-	-	63,280	63,280	-	-	-	-	63,280
Other comprehensive income for the period	-	-	-	-	-	(474)	(474)	(11,843)	2,904	-	(8,939)	(9,413)
Total comprehensive income for the period	-	-	-	-	-	62,806	62,806	(11,843)	2,904	-	(8,939)	53,867
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	6,111	-	(6,111)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(38,425)	(38,425)	-	-	-	-	(38,425)
Stock dividends distributed to shareholder	3,117	-	-	-	-	(3,117)	(3,117)	-	-	-	-	-
Issuance of restricted stock awards	2,164	-	10,502	-	-	-	-	-	-	(12,666)	(12,666)	-
Compensation cost of issued restricted stock awards	-	-	15	-	-	27	27	-	-	4,417	4,417	4,459
Expiration of restricted stock awards	(75)	-	75	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	1,705	-	-	-	-	-	-	-	-	1,705
Conversion of convertible bonds	178	130	2,132	-	-	-	-	-	-	-	-	2,440
Balance as of December 31, 2016	**$ 109,265**	**130**	**87,847**	**49,334**	**3,350**	**169,258**	**221,942**	**(4,318)**	**2,941**	**(9,844)**	**(11,221)**	**407,963**

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of USD)

	For the years ended December 31, 2016	2015
Cash flows from operating activities:		
Net income before tax	$ 81,469	78,987
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	39,640	34,182
Amortization	1,900	1,941
Provision for doubtful accounts, net	568	399
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	5	(32)
Interest expense	1,488	861
Interest income	(481)	(673)
Dividends income	(532)	-
Compensation cost of issued restricted stock awards	4,459	4,294
Share of profit of associates accounted for using equity method	(58)	(549)
Loss (gain) on disposal of investment, net	(80)	497
Adjustment for other non-cash-related losses, net	372	711
Provision for inventory devaluation loss	4,059	1,760
Provision for allowance for sales discount	3,343	-
Total adjustments to reconcile profit (loss)	54,683	43,391
Changes in operating assets and liabilities:		
Notes receivable	2,856	(4,663)
Accounts receivable	(10,451)	(65,863)
Accounts receivable from related parties	1,157	442
Inventories	8,885	(67,455)
Other operating assets	(224)	2,616
Notes and accounts payable	(26,396)	52,940
Accounts payable to related parties	(1,456)	497
Other operating liabilities	13,917	21,894
Total changes in operating assets and liabilities	(11,712)	(59,592)
Total adjustments	42,971	(16,201)
Cash flows generated from operations	124,440	62,786
Interest received	451	730
Dividend received	532	-
Interest paid	(866)	(902)
Income tax paid	(17,974)	(14,051)
Net cash flows generated from operating activities	106,583	48,563
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(112,305)	(59,234)
Proceeds from disposal of available-for-sale financial assets	79,603	74,242
Acquisition of financial assets carried at cost－non-current	(487)	(239)
Proceeds from capital return of financial assets carried at cost－non-current	-	692
Proceeds from disposal of financial assets carried at cost－non-current	-	684
Acquisition of property, plant and equipment	(52,297)	(68,658)
Proceeds from disposal of property, plant and equipment	587	290
Acquisition of intangible assets	(1,409)	(1,851)
Decrease in refundable deposits	41	97
Increase in other financial assets	(620)	-
Capital received from associates	233	150
Net cash flows used in investing activities	(86,654)	(53,827)
Cash flows from financing activities:		
Increase in short-term borrowings	9,031	1,337
Issuance of convertible bonds	46,306	-
Cash dividends paid	(38,425)	(27,501)
Net cash flows generated from (used in) financing activities	16,912	(26,164)
Effect of exchange rate changes	(4,599)	95
Net increase (decrease) in cash and cash equivalents	32,242	(31,333)
Cash and cash equivalents at beginning of period	99,716	131,049
Cash and cash equivalents at end of period	$ 131,958	99,716

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

7.1 Financial Analysis (Consolidated)

7.1.1 Financial Analysis

Unit: Thousand NT$

Item	2016	2015	Increase/Decrease Amount	Change Percentage (%)
Current assets	22,718,403	20,621,683	2,096,720	10.17
Property, plant, and equipment	6,165,546	6,398,183	(232,637)	(3.64)
Intangible assets	40,914	56,773	(15,859)	(27.93)
Other assets	847,049	779,361	67,688	8.69
Total assets	29,771,912	27,856,000	1,915,912	6.88
Current liabilities	14,621,080	14,858,513	(237,433)	(1.60)
Other liabilities	1,982,192	605,028	1,377,164	227.62
Total liabilities	16,603,272	15,463,541	1,139,731	7.37
Capital stock	3,531,173	3,353,187	177,986	5.31
Capital surplus	2,835,611	2,369,850	465,761	19.65
Retained earnings	7,164,068	6,476,812	687,256	10.61
Other equity	(362,212)	192,610	(554,822)	(288.05)
Stockholders' equity	13,168,640	12,392,459	776,181	6.26

Analysis of items whose increased/decreased amount are above 20%:
1. "Intangible assets" decreased mainly due to amortization of intangible assets.
2. "Other liabilities" increased mainly due to the issuance of corporate bonds.
3. "Other equity" decreased mainly due to the issuance of restricted stock awards.

7.2 Financial Performance Analysis (Consolidated)

7.2.1 Financial Performance Analysis

Unit: Thousand NT$

Item	2016	2015	Increased/ Decreased Amount	Change Percentage (%)
Net operating revenues	52,779,497	52,183,218	596,279	1.14
Operating costs	45,463,866	45,252,319	211,547	0.47
Gross profit	7,315,631	6,930,899	384,732	5.55
Operating expenses	4,638,442	4,583,200	55,242	1.21
Net operating income	2,677,189	2,347,699	329,490	14.03
Total non-operating income and expenses	(47,446)	201,932	(249,378)	(123.5)
Income before income tax	2,629,743	2,549,631	80,112	3.14
Income tax	587,143	577,123	10,020	1.74
Net income	2,042,600	1,972,508	70,092	3.55
Analysis of items whose increased/decreased amounts are above 20%: The decrease in total non-operating income and expenses is mainly due to net exchange losses.				

7.3 Cash Flow Analysis

7.3.1 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
3,218,734	3,440,388	(2,251,217)	(148,423)	4,259,482	-	-

1. Cash flow analysis:
   Operating activities: A positive cash flow of NT$3,440 million was mainly due to operating profit.
   Investing activities: A negative cash flow of NT$2,797 million was mainly due to the acquisition of real estate, plants, and fixed assets and acquisition of available- for-sale financial assets.
   Financing activities: A net positive cash flow of NT$546 million was mainly due to the issuance of convertible bonds and cash dividends payment.
2. Remedial Actions for Liquidity Shortfall: None

7.3.2 Cash Flows Projection for the Next Year: None

7.4 Effects of Significant Capital Expenditures on Financial Operations:

7.4.1 Significant Capital Expenditures and the Capital Sources

Unit: Thousand NT$

Project	Actual or Anticipated Capital Sources	Actual or Anticipated Completion Date	Total Costs	Actual Use of Capital	
				2015	2016
Acquisition of an office building for the plants and its interior decoration and renovation	Cash flow generated from operations	Second quarter of 2016	1,059,777	405,000	654,777

7.4.2 Effects of Significant Capital Expenditures on Financial Operations

The significant capital expenditures above are in line with WNC's requirements to grow its business, expand production capacity, improve production efficiency, and reduce rental costs.

7.5 Policy for Investment

7.5.1 Investment Policies:

WNC's policy for investment is long-term strategic investment. In 2016, the investment profits recognized under the equity method was NT$1,876,000. In the future, WNC will continue to carefully evaluate the investment plan based on the principle of long-term strategic investment.

7.6 Risk Management

7.6.1 How does interest rate, exchange rate, or inflation influence WNC's profits and losses, and how can it manage such risks?

Unit: Thousand NT$

Item	2016
Interest income	15,532
Interest expense	48,031
Exchange gain/(loss)	(141,545)

WNC has abundant funds at its disposal; we invested the surplus funds after considerable evaluation of the risks involved while closely watching changes in bank lending rates on a regular basis to reduce interest rate risks.

Approximately 93.22% of WNC's revenue was from export sales, and most of the export-sales amounts were quoted in U.S. dollars. Most of the material-purchasing amounts were also quoted in U.S. dollars. Therefore, the majority of WNC'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 WNC.

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 WNC's business anticipation and funds requirements.
3. Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

7.6.2 What were the major reasons for WNC 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?

WNC 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.

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

Looking ahead, WNC 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 WNC's applicable regulations. Derivatives transactions will be performed strictly in compliance with the Rules and Procedures for Derivative Transactions set forth by WNC.

7.6.3 R&D planning

1. Future R&D plans

(1) Satellite communications product series
  A. High-frequency satellite two-way communications receiver
  B. Satellite and terrestrial converged network gateway

(2) Mobile and home communications product series
  A. Fixed network coaxial-cable communications integrated gateways
  B. Broadband microwave transmission system
  C. Fixed network optical communications integrated gateways
  D. Mesh topology wireless communication routers

2. Investment
WNC 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. In view of this, it is estimated that 4% of WNC's revenues will be invested in R&D in 2017.

7.6.4 The impact of legal and regulatory changes on WNC'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.

7.6.5 Impact of technological and industrial changes on WNC's financial performance:

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

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

Not applicable.

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

Not applicable. WNC does not have any acquisition plans.

7.6.8 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.

7.6.9 Supply and distribution concentration:

There is no concentration risk pertaining to suppliers and customers.

7.6.10 How do share transfers made by directors, supervisors or shareholders with 10% or more shareholdings affect WNC? What are the countermeasures?

None

7.6.11 Impact of management changes on WNC 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 WNC's professional managers and executed after approval by the Board of Directors. WNC 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.

7.6.12 Where (1) WNC 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 WNC 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 WNC'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:

Except for Wistron Corp. (hereinafter referred to as Wistron), which is currently involved in litigation as described below, WNC and its other directors, the general manager, and companies controlled by WNC are not involved in litigation or non-litigious or administrative disputes with relevant authorities that have been concluded by means of a final and unappealable judgment or are still under litigation/review and where such a dispute could materially affect shareholder equity or the price of WNC's stock.

In June 2016, Alacritech Inc. filed a complaint against Wistron and other companies to the United States Texas Eastern District Court regarding patent infringement on servers and network interface cards. Wistron has appointed an attorney in the United Sates to handle the case and the results of the case have not yet been determined.

In summary, despite the fact that one of WNC's directors, Wistron, is currently in litigation as stated above, the case involved Wistron only and is not related to WNC. It is deemed that the results of the litigation above will not affect WNC's finances, business operations, or shareholder equity.

7.6.13 Other risks:

None

7.7 Other Important Matters

None

WNC

Wistron NeWeb Corp.