Stock Code: 6285

Wistron NeWeb Corporation

2018 Annual Report (Translation)

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

Publication Date: May 6, 2019

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
Title:	Chief Financial Officer	Title:	Associate Vice President

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

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

S1 (Manufacturing site): 5 Lihsin Rd. VI, Hsinchu Science Park, Hsinchu 300, Taiwan

S2 (Manufacturing site): 8 Beiyuan 3rd Rd., Tainan Science Park, Tainan 745, 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 114, Taiwan

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

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

Name:	Hai-Ning Huang and Sing-Hai Wei	Website:	www.kpmg.com.tw
CPA firm:	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

5G and AI have led to the rapid development and implementation of new technologies and applications while bringing new opportunities and challenges for the communications industry. WNC has been at the forefront of 5G technology deployment in recent years, and we have been actively developing broadband wireless products capable of providing high-speed, stable connections. In 2018, material shortages and rising costs, customer product line adjustments, and the China-U.S. trade war all adversely impacted our revenue performance. Fortunately, we were able to grasp market changes and adjust our operation strategies, including our global business plan, product portfolio, and production capacity, which has helped minimize the negative impact caused by the aforementioned three items. Over the years, we have accumulated key core competencies and established long-term relationships with our customers, and we believe that this will enable us to achieve new revenue records this year.

Financial and Operational Results

In 2018, WNC's consolidated revenue was NT$56.05 billion, which is a 1.5% reduction compared to last year. Consolidated gross profit was NT$7.113 billion. Consolidated profit before tax was NT$2.226 billion, which is a 17.3% reduction compared to last year, and consolidated profit after tax was NT$1.929 billion. The basic earnings per share was NT$5.21.

Business Performance in 2018

Due to the popularity of mobile devices, increasing demand for convenient, high-quality video, and widespread adoption of connected devices in the home, automobiles, and workplaces, WNC has been busy developing stable, high-speed, and low-latency broadband wireless network products in recent years, placing it at the forefront of 5G/Sub-6 GHz product testing and market deployment. In 2018, we continued to excel in research and development, being recognized as a Gold Winner in the IT World Awards® and also receiving the Hsinchu Science Park R&D Accomplishment Award and Innovative Product Award. Furthermore, as of the end of the year, WNC has over 1,900 approved patents and patents pending.

In recent years, besides focusing on our business operations, we have also actively fulfilled our social responsibilities. We have been recognized for our performance in corporate social responsibility (CSR), being ranked among the top 50 in the "Large Enterprises" group for Excellence in CSR by the CommonWealth Magazine Group. We also won the Service of Social Innovation Purchase Reward Program (First Prize) from the Ministry of Economic Affairs, was rated in the top 20% among all Taiwan publicly traded companies in the Corporate Governance Evaluation, and was honored with the Top-50 Platinum Medal at the 2018 Taiwan Corporate Sustainability Awards. In our 2018 Corporate Social Responsibility Report scheduled to be released in June 2019, we will share our efforts and achievements in CSR with all of our stakeholders.

Business Plan in 2019

This year, we face fierce competition in our industry, more diverse market demands, climate change, global political and economic instability, and other challenges. In order to maintain a leading position in the rapidly changing communications industry, WNC will use macro-oriented management strategies to enhance its business management and market competiveness. As we actively develop advanced technologies and innovative products, we will also continue to optimize our existing value chain and exert positive influence in economic, environmental, and social areas, with the ultimate goal being sustainable operation.

To meet our goals for business development and global production capacity deployment, we have expanded production capacity at our S1 site and established the S2 site in the Tainan Science Park in Q4 2018. To optimize global production capacity distribution, we established WNC Vietnam Co., Ltd. (V1) in Vietnam, which has brought WNC's production to a third host region outside of Taiwan and China. The S2 and V1 sites are expected to begin operation in Q2 2019, with all related units in WNC actively providing the required manpower and resources to complete the establishment of these two sites.

Future Outlook

With the high level of uncertainty surrounding the global economy, we must proactively and purposefully take measures to deal with the China-U.S. trade dispute, the restructuring of the industrial value chain, global political and economic instability, climate change, and other challenges. WNC has built a strong foundation in wireless communications technologies, software development, and system integration, and these very core competencies form the basis for our customers' trust in us. In the future, we will continue to solidify and deepen our competitive advantages and commit ourselves to the four major development aspects of broadband access, smart home, industrial networking, and smart and connected transportation solutions. By doing so, we can enhance our cooperative relationships with customers and other companies in the supply chain to harness technology development trends and meet market demands, enabling us to ultimately achieve our goal of sustainable operations.

We will continue to adhere to our core value of "Advocacy of Fundamental Values and Pragmatism" and carefully but optimistically drive WNC's development to earn the highest sustainable 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 (WNC) was founded in Hsinchu, Taiwan, on Dongda Rd.
April	1997	Established manufacturing plant in Zhubei City, Taiwan, on Fenggang Rd.
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 for 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 on Sept. 22.
Nov.	2003	IEEE 802.11a/g Switch received the Hsinchu Science Park Innovative 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.
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 for 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	Wi-Fi Media Frame Wireless Multimedia Player received the Hsinchu Science Park Innovative Product Award.
Oct.	2008	Obtained OHSAS 18001 certification.
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Nov.	2009	Honored with the Hsinchu Science Park R&D Accomplishment Award.
Nov.	2009	Completed training programs for the EuP Directive 2005/32/EC and applied the principles to 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 to product design processes.
June	2010	UI design artwork (Fun-Quick) received the 2010 iF communication design award.
Aug.	2010	Honored with the Contribution Award and the Invention Award at the 2010 National Invention & Creation Awards.
Oct.	2010	Honored with the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Hsinchu Science Park Innovative Product Award.
Dec.	2010	Honored by Asiamoney Magazine's Corporate Governance Poll as: Overall Best for Investor Relations across Asia; Best Overall for Corporate Governance; Best for Responsibilities of Management and the Board of Directors; Best for Shareholders' Rights and Equitable Treatment; Best for Investor Relations; Best for Disclosure and Transparency; and Best Investor Relations Officer.
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	Honored with the National HRD InnoPrize.
Sept.	2011	Commenced shipping the Automotive BSD radar system.
Sept.	2011	Honored with the Creation Award at the 2011 National Invention & Creation Awards.

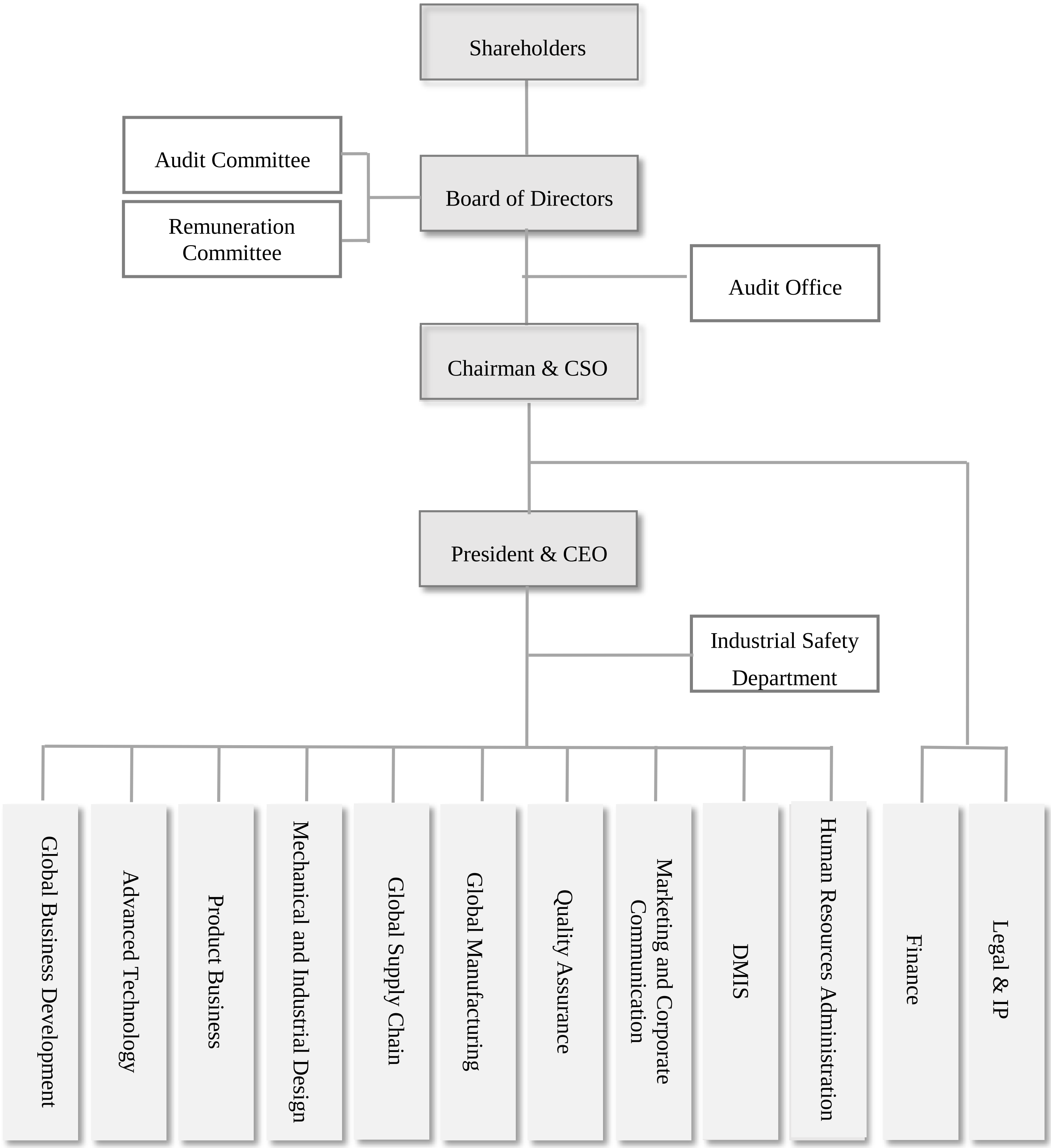
Oct.	2011	Established the Irvine Office for the North American market.
Dec.	2011	Received the Hsinchu Science Park Innovative Product Award (4G Mobile Hotspot) and the R&D Accomplishment Award.
March	2012	Established the New Jersey Office for the North American market.
July	2012	Established the WNC EICC 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 CommonWealth magazine's "Most Admired Company" 2013 survey among telecommunication enterprises in Taiwan.
Dec.	2013	Honored with the Hsinchu Science Park Innovative Product Award (24GHz Automotive BSD Radar) and R&D Accomplishment Award.
March	2014	Obtained TL 9000 (quality management system for the telecommunications industry) certification.
June	2014	The BOD elected Mr. Haydn Hsieh to be its Chairman.
June	2014	Established WNC UK Limited in the UK.
Oct.	2014	Obtained ISO/IEC 27001 (information security management system) certification.
Nov.	2014	Honored with the Taiwan Corporate Sustainability Report Award (Bronze Medal) by 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 competence in testing and calibrating laboratory equipment) 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 as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2015	Honored with the Taiwan Corporate Sustainability Report Award (Silver Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2015	Obtained CNS 15506: 2011 TOSHMS (Taiwan Occupational Safety & Health Management System) certification.
Dec.	2015	Honored with 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	WNC's S1 site (on Lihsin Rd. VI of the Hsinchu Science Park) obtained its factory registration certificate on April 25.
June	2016	Honored as a Gold Winner at the 2016 IT World Awards (24GHz Radar System).
July	2016	Honored with the Award for International Trade—Contribution to Primary Market Expansion Award by the Ministry of Economic Affairs.
Aug.	2016	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.

Nov.	2016	Honored with the Taiwan Corporate Sustainability Report Award (Silver Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2016	Honored with the Hsinchu Science Park R&D Accomplishment Award.
Dec.	2016	Honored by Asiamoney Magazine's Corporate Governance Poll (across Asia & Taiwan, excluding Japan) as: Best for Responsibilities of Management & the Board of Directors; and Best for Shareholders' Rights & Equitable Treatment.
Aug.	2017	Installed solar panels in the WNC Headquarters in Taiwan and Wistron NeWeb (Kunshan) Corporation in Mainland China.
Aug.	2017	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Oct.	2017	Honored with the Award for International Trade—Contribution to Primary Emerging Market Expansion Award by the Ministry of Economic Affairs.
Nov.	2017	Honored with the Taiwan Corporate Sustainability Report Award (Gold Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2017	Honored with the Hsinchu Science Park Innovative Product Award (Tri-radio Wi-Fi Smart Router) and R&D Accomplishment Award.
Dec.	2017	Honored with the top tier award in the "New Product and Service of Social Innovation Purchase Reward Program" organized by the Ministry of Economic Affairs.
May	2018	Obtained ISO 50001:2011 (Energy Management System) certification.
Aug.	2018	Honored as a Gold Winner at the 2018 IT World Awards (Tri-radio Wi-Fi Smart Router).
Aug.	2018	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2018	Honored with the Top 50–Platinum Medal at the 2018 Taiwan Corporate Sustainability Awards (TCSA) in the Corporate Sustainability Report Awards category.
Dec.	2018	Commenced shipping the world's first 5G Mobile Hotspot.
Dec.	2018	Honored with the Hsinchu Science Park Innovative Product Award (Ultra-compact Automotive FHD Camera Module) and R&D Accomplishment Award.
Dec.	2018	Honored with the top tier award in the "New Product and Service of Social Innovation Purchase Reward Program" organized by the Ministry of Economic Affairs.
Dec.	2018	Honored by Asiamoney Magazine's Corporate Governance Poll as one of Asia's Outstanding Companies (2018).

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
Legal & IP	Legal affairs of the company, contracts, patents, trademarks, technology licensing, IP, and legal consultative services
Finance	Responsible for treasury, financial management, investment, accounting, and tax services
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
Digital Management Information Systems	Management and maintenance of WNC's information systems, software, and its network; implementation and improvement of WNC's Industry 4.0 project; formulation of efficient operational procedures and enhancement of these procedures with information-based, digitized tools
Marketing and Corporate Communication	Responsible for compiling business information, marketing strategies, exhibition planning, advertising, Internet marketing activities, and maintaining amicable corporate and investor relations
Quality Assurance	Responsible for quality and reliability assurance, shipping inspection, after-sales service, and ISO quality system implementation and improvement
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
Mechanical and Industrial Design	Product appearance development, mechanical design, and evaluation and supervision of product quality of qualified vendors
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

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

3.2.1. Information on the Board of Directors

April 7, 2019; Unit: Shares; %

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Chairman & CSO	R.O.C.	Haydn Hsieh	Male	06/16/2017	3	09/14/2001	5,681,989	1.61	5,898,971	1.51	806,575	0.21	Bachelor's	1. Chairman & CSO of Wistron NeWeb Corp. 2. Corporate-shareholder representative on the Wistron Corp. board of directors 3. Director of Apacer Technology Inc. 4. Independent Director of Raydium Semiconductor Corp. 5. Director of aEnrich Technology Corp.
Director; President & CEO	R.O.C.	Jeffrey Gau	Male	06/16/2017	3	10/14/2005	2,509,622	0.71	2,058,284	0.53	452,704	0.12	Ph.D.	1. Director and President & CEO of Wistron NeWeb Corp. 2. Corporate-shareholder representative on the Tai-Saw Technology Co., Ltd. board of directors

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Director	R.O.C.	Wistron Corp.	N/A	06/16/2017	3	04/18/2000	85,494,135	24.21	89,674,679	22.97	0	0	N/A	N/A
	R.O.C.	Representative: Frank F.C. Lin	Male				207,636	0.06	207,582	0.05	163,612	0.04	Bachelor's	1. Chief Staff Officer of Wistron Corp. 2. Director of Wistron ITS Corp. 3. Director of Wiwynn Corp. 4. Chairman of WiseCap Ltd. 5. Chairman of WLB Ltd. 6. Chairman of WiseCap (Hong Kong) Ltd. 7. Chairman of B-Temia Asia Pte. Ltd. 8. Director of Changing Information Technology Inc. 9. Director of Maya International Co., Ltd. 10. Director of Join-Link International Technology Co., Ltd. 11. Director of Wistron Medical Tech Holding Company 12. Director of Wistron Medical Tech Corp. 13. Director of Wistron Digital Technology Holding Company 14. Director of Pell Bio-Med Technology Co., Ltd. 15. Director of IP Fund Six 16. Supervisor of aEnrich Technology Corp. 17. Director of Hartec Asia Pte. Ltd 18. Director of Hukui Biotechnology Corporation

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
	R.O.C.	Wistron Corp.	N/A				85,494,135	24.21	89,674,679	22.97	0	0	N/A	N/A
Director	R.O.C.	Representative: Donald Hwang	Male	06/16/2017	3	04/18/2000	686	0	699	0	0	0	Master's	1. Chief Technology Officer of Wistron Corp. 2. Chairman of International Standards Labs. 3. Chairman of Abilliant Corporation 4. Director of WiseCap Ltd. 5. Director of WLB Ltd. 6. Director of Wistron Medical Tech Corp. 7. Director of Wistron Digital Technology Holding Company 8. Director of Maya International Co., Ltd. 9. Director of Free Bionics Taiwan Inc. 10. Director of Apollo Medical Optics, Ltd. 11. Director of Airdog, Inc. 12. Director of AII Holding Corp. 13. Director of Win Smart CO., LTD. 14. Director of Wistron Mobile Solutions Corporation 15. Director of Tube Inc. 16. Director of Free Bionics, Inc. 17. Director of Apollo Medical Optics Inc. 18. Director of B-TEMIA INC. 19. Director of U.S. Bionics Inc. 20. Director of Wistron Investment (Sichuan) Co., Ltd. 21. Director of Wistron Investment (Jiangsu) Co., Ltd. 22. Director of Kunshan Wei-funded information Limited
Director	R.O.C.	Max Wu	Male	06/16/2017	3	08/26/2002	0	0	0	0	0	0	Bachelor's	1. Director of Novatek Microelectronics Corp. 2. Independent Director of Apacer Technology Inc. 3. Independent Director of Harvatek Corporation 4. Supervisor of Antec, Inc. 5. Director of YODN Lighting Corp. 6. Independent Director of Gigastone Corp. 7. Chairman of Birch Venture Capital

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Director	R.O.C.	Philip Peng	Male	06/16/2017	3	06/23/2005	122,826	0.03	129,007	0.03	0	0	Master’s	1. Director of Wistron Corp. 2. Director of Wistron ITS 3. Corporate-shareholder representative on the Acer board of directors 4. Corporate-shareholder representative on the AOPEN board of directors 5. Independent Director of AU Optronics 6. Independent Director of Apacer Technology Inc. 7. Chairman of Smart Capital Corp. 8. Chairman of IoB Investment Management Inc. 9. Director & President of iD SoftCapital 10. Corporate-shareholder representative on the Dragon Investment Fund I Co. board of directors 11. Corporate-shareholder representative of iD Innovation Inc. on the Supervisor list
Independent Director	R.O.C.	Robert Hung	Male	06/16/2017	3	06/17/2011	0	0	0	0	0	0	Master’s	1. Independent Director of TSRC Corp.
Independent Director	R.O.C.	Neng-Pai Lin	Male	06/16/2017	3	06/10/2015	0	0	0	0	0	0	Ph.D.	1. Director of Teco Image Systems 2. Independent Director of Darfon Electronics Corp. 3. Independent Director of AcBel Polytech Inc.
Independent Director	R.O.C.	Hsing-Chuan Hsin	Female	06/16/2017	3	06/16/2017	0	0	0	0	0	0	Master’s	1. Consultant of YQY Accounting Firm

Note 1: Directors holding WNC shares in another’s name: None
Note 2: Directors whose spouses or relative within the second degree of kinship are managers or directors: None

Note 1: Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders

April 14, 2019

Name	Major shareholders	Percentage (%)
Wistron Corporation	Norges Bank	2.02
	Acer Incorporated	1.93
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.60
	JPMorgan Chase Bank N.A., Taipei Branch, in custody of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.56
	Dimensional Emerging Markets Value Fund	1.54
	Lin, Hsien-Ming	1.53
	Management Board of the Public Service Pension Fund	1.50
	Wistron NeWeb Corporation	1.01
	iShares Core MSCI Emerging Markets ETF	1.00
	Morgan Stanley & Co. International Plc	0.98

Note 2: Major Shareholders of the Institutional Shareholders Listed in the above Table

April 7, 2019

Name	Major shareholders	Percentage (%)
Acer Incorporated	Hung Rouan Investment Corp.	2.39
	Stan Shih	1.62
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.50
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.47
	Management Board of Public Service Pension Fund	1.09
	Norges Bank	1.04
	Acer GDR	0.95
	Dimensional Emerging Markets Value Fund	0.87
	Polunin Developing Countries Fund, LLC	0.75
	Government of Singapore	0.73

Professional Qualifications and Independence Analysis of Directors

April 7, 2019

Criteria / Name	Meets one of the following professional qualification requirements, together with at least five years' work experience			Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as an independent director
	An educator having a position of instructor or higher at a public or private college or university in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been certified 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: Donald Hwang			✓	–	–	✓	✓	–	✓	✓	✓	✓	–	0
Jeffrey Gau			✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	0
Max Wu			✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	3
Philip Peng			✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	2
Robert Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsing-Chuan Hsin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: 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, as appointed 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 one percent (1%) or more of the total number of issued shares of WNC or ranks as one of its top 10 shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds five percent (5%) or more of the total number of issued shares of WNC or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding five percent (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, legal entity, nor representative thereof as defined in Article 27 of the Company Law.

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

April 7, 2019; Unit: Shares; %

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Chairman & CSO	R.O.C.	Haydn Hsieh	Male	06/14/2000	5,898,971	1.51	806,575	0.21	Bachelor's	1. Corporate-shareholder representative on the Wistron Corp. board of directors 2. Director of Apacer Technology Inc. 3. Independent Director of Raydium Semiconductor Corp. 4. Director of aEnrich Technology Corp.
Director; President & CEO	R.O.C.	Jeffrey Gau	Male	01/01/2008	2,058,284	0.53	452,704	0.12	Ph.D.	1. Corporate-shareholder representative on the Tai-Saw Technology Co., Ltd. board of directors
Executive Vice President & General Manager of the Business Group	R.O.C.	Larry Lee (Note 1)	Male	08/16/2005	598,039	0.15	81,572	0.02	Master's	None
Senior Vice President & General Manager of the Business Group	R.O.C.	Fayu Chen	Male	04/07/2008	401,423	0.10	352,581	0.09	Ph.D.	None
Vice President & General Manager of the Business Group	R.O.C.	Johnson Hsu	Male	02/05/2010	573,585	0.15	0	0	Master's	None
Vice President	R.O.C.	Bird Huang	Male	02/05/2010	160,366	0.04	0	0	Master's	None
Vice President	R.O.C.	Ray Lee	Male	02/01/2006	422,614	0.11	0	0	Bachelor's	None
Vice President	R.O.C.	Chris Hwang	Male	01/05/2017	216,585	0.06	0	0	Master's	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Vice President	R.O.C.	TJ Chen	Male	02/05/2010	319,897	0.08	592	0	Ph.D.	None
Vice President	R.O.C.	Apollo Shyong	Male	04/05/2012	380,853	0.10	0	0	Master's	None
Vice President	R.O.C.	Joseph Chi	Male	11/08/2017	200	0	0	0	Ph.D.	None
General Plant Manager	R.O.C.	Andrew Wong	Male	12/01/2009	344,927	0.09	0	0	Bachelor's	None
Chief Financial Officer	R.O.C.	Jona Song	Female	01/01/2002	628,982	0.16	0	0	Bachelor's	None
Chief Supply Chain Officer	R.O.C.	Amy Hsu	Female	11/08/2017	97,778	0.03	0	0	Bachelor's	None
Chief Technology Officer	R.O.C.	Horen Chen	Male	11/05/2013	1,115,913	0.29	0	0	Ph.D.	None
Associate Vice President	R.O.C.	Owen Tai	Male	01/05/2018	20,800	0.01	0	0	Bachelor's	None
Associate Vice President	R.O.C.	Robin Wu	Male	04/05/2018	108,520	0.03	10,510	0	Master's	None
Associate Vice President	R.O.C.	Repus Hsiung	Male	04/05/2018	0	0	0	0	Master's	None
Associate Vice President	R.O.C.	Jack YC Liu (Note 2)	Male	10/05/2018	11,508	0	0	0	Ph.D.	None
Associate Vice President	R.O.C.	CW Sheu (Note 2)	Male	10/05/2018	155,311	0.04	0	0	Master's	None
Associate Vice President	R.O.C.	David Tsai (Note 3)	Male	01/05/2019	108,789	0.03	0	0	Master's	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Vice President	R.O.C.	Jack Liu (Note 4)	Male	03/18/2015	-	-	-	-	Ph.D.	None

1. Managers holding WNC shares in another's name: None
2. Managers whose spouses, parents, or other relatives within the second degree of kinship are managers or directors: None

Note 1: Mr. Larry Lee was promoted to Executive Vice President and General Manager of the Business Group on Dec. 19, 2018.
Note 2: Mr. Jack YC Liu and Mr. CW Sheu were promoted to Associate Vice President on Oct. 5, 2018.
Note 3: Mr. David Tsai was promoted to Associate Vice President on Jan. 5, 2019.
Note 4: Mr. Jack Liu served as Vice President until July 11, 2018.

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

■ Remuneration of Directors (Including Independent Directors)

Dec. 31, 2018; Unit: Thousand NT$

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by Directors who are also employees								Ratio of Total remuneration (A+B+C+D+E+F+G) to net income (%) (Note 2)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base compensation (A)		Severance pay and pensions (B)		Directors' profit-sharing bonuses (C)		Payment for professional practice (D)				Salary, bonuses, and allowances (E)		Severance pay and pensions (F)		Employees' profit-sharing bonuses (G)						
		From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC	From all companies in the consolidated financial statements	From WNC		From all companies in the consolidated financial statements		From WNC	From all companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Haydn Hsieh	0	0	0	0	15,884	15,884	620	620	0.86	0.86	54,433	54,433	288	288	(Note 1)	0	(Note 1)	0	3.69	3.69	3,553
Director	Jeffrey Gau																					
Director	Wistron Corp. Representative: Frank F. C. Lin																					
Director	Wistron Corp. Representative: Donald Hwang																					
Director	Max Wu																					
Director	Philip Peng																					
Independent Director	Robert Hung																					
Independent Director	Neng-Pai Lin																					
Independent Director	Hsing-Chuan Hsin																					

*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 financial statements: None

Note 1: Not available because the list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; if the percentage used last year is adopted, the estimated bonus will be NT$6.17 million in cash.

Note 2: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' profit-sharing bonuses" 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 6)**	
	From WNC	**From all companies in the financial statements (H)**	**From WNC**	**From all companies in the financial statements (I)**
Under NT$2,000,000	4 directors (Note 1)	Same as the column to the left	3 directors (Note 3)	Same as the column to the left
NT$2,000,000 – NT$4,999,999	5 directors (Note 2)	Same as the column to the left	4 directors (Note 4)	Same as the column to the left
NT$5,000,000 – NT$9,999,999				
NT$10,000,000–NT$14,999,999				
NT$15,000,000–NT$29,999,999			2 directors (Note 5)	Same as the column to the left
NT$30,000,000–NT$49,999,999				
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, Hsing-Chuan Hsin
Note 2: Wistron Corp. Representatives Frank F. C. Lin and Donald Hwang; Haydn Hsieh, Robert Hung, Neng-Pai Lin
Note 3: Max Wu, Philip Peng, Hsing-Chuan Hsin
Note 4: Wistron Corp. Representatives Frank F. C. Lin and Donald Hwang; Robert Hung, Neng-Pai Lin
Note 5: Haydn Hsieh, Jeffrey Gau
Note 6: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' Profit-Sharing Bonuses" are excluded from the calculation for this column.

■ **Supervisors' Base Compensation:** N/A

Range of Remuneration: N/A

■ Remuneration of the Chairman, President and Vice Presidents

Dec. 31, 2018; Unit: Thousand NT$

Title	Name	Salary(A)		Severance pay and pensions (B)		Bonuses and allowances (C)		Employees' profit-sharing bonuses (D)				Ratio of total remuneration (A+B+C+D) to Net Income (%) (Note 2)		Remuneration paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		From WNC	From all companies in the financial statements	From WNC	From all companies in the financial statements	From WNC	From all companies in the financial statements	From WNC		From all companies in the consolidated financial statements		From WNC	From all companies in the financial statements	
								Cash	Stock	Cash	Stock			
Chairman & CSO	Haydn Hsieh	36,498	36,498	1,561	1,561	114,065	114,065	(Note1)	0	(Note1)	0	7.88	7.88	None
Director; President & CEO	Jeffrey Gau													
Executive Vice President & General Manager of the Business Group	Larry Lee													
Senior Vice President & General Manager of the Business Group	Fayu Chen													
Vice President & General Manager of the Business Group	Johnson Hsu													
Vice President	Bird Huang													
Vice President	Ray Lee													
Vice President	Chris Hwang													
Vice President	TJ Chen													
Vice President	Apollo Shyong													
Vice President	Joseph Chi													
Vice President	Jack Liu (Note 3)													

Note 1: Not available because the list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; if the percentage used last year is adopted, the estimated bonus will be NT$14.541 million in cash.

Note 2: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' profit-sharing bonuses" are excluded from the calculation for this column.

Note 3: Mr. Jack Liu served as Vice President until July 11, 2018.

Range of Remuneration

Range of remuneration	Name of Executive (Note 5)	
	From WNC	From all companies in the financial statements
Under NT$2,000,000		
NT$2,000,000–NT$4,999,999	4 executives (Note 1)	Same as the column to the left
NT$5,000,000–NT$9,999,999	3 executives (Note 2)	Same as the column to the left
NT$10,000,000–NT$14,999,999	2 executives (Note 3)	Same as the column to the left
NT$15,000,000–NT$29,999,999	2 executives (Note 4)	Same as the column to the left
NT$30,000,000–NT$49,999,999		
NT$50,000,000–NT$99,999,999		
Over NT$99,999,999		
Total	11	11

Note 1: Bird Huang, Ray Lee, Chris Hwang, Joseph Chi
Note 2: Johnson Hsu, TJ Chen, Apollo Shyong
Note 3: Larry Lee, Fayu Chen
Note 4: Haydn Hsieh, Jeffrey Gau
Note 5: The list for the distribution of employees' profit-sharing 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.

■ Names of Executive Officers Receiving Employees' Profit-Sharing Bonuses and Their Distribution:

Dec. 31, 2018; Unit: Thousand NT$

<table>
<tr><th>Title</th><th>Name</th><th>Stock (Fair Market Value)</th><th>Cash (Note 5)</th><th>Total</th><th>Ratio of total amount to net income (%)</th></tr>
<tr><td>Chairman & CSO</td><td>Haydn Hsieh</td><td rowspan="20">0</td><td rowspan="20">20,159</td><td rowspan="20">20,159</td><td rowspan="20">1.04</td></tr>
<tr><td>Director; President & CEO</td><td>Jeffrey Gau</td></tr>
<tr><td>Executive 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>Bird Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lee</td></tr>
<tr><td>Vice President</td><td>Chris Hwang</td></tr>
<tr><td>Vice President</td><td>TJ Chen</td></tr>
<tr><td>Vice President</td><td>Apollo Shyong</td></tr>
<tr><td>Vice President</td><td>Joseph Chi</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 Supply Chain Officer</td><td>Amy Hsu</td></tr>
<tr><td>Chief Technology Officer</td><td>Horen Chen</td></tr>
<tr><td>Associate Vice President</td><td>Owen Tai (Note 1)</td></tr>
<tr><td>Associate Vice President</td><td>Robin Wu (Note 2)</td></tr>
<tr><td>Associate Vice President</td><td>Repus Hsiung (Note 2)</td></tr>
<tr><td>Associate Vice President</td><td>Jack YC Liu (Note 3)</td></tr>
<tr><td>Associate Vice President</td><td>CW Sheu (Note 3)</td></tr>
<tr><td>Vice President</td><td>Jack Liu (Note 4)</td><td></td><td></td><td></td><td></td></tr>
</table>

Note 1: Mr. Owen Tai was promoted to Associate Vice President on January 5, 2018
Note 2: Mr. Robin Wu and Mr. Repus Hsiung were promoted to Associate Vice President on April 5, 2018
Note 3: Mr. Jack YC Liu and Mr. CW Sheu were promoted to Associate Vice President on October 5, 2018
Note 4: Mr. Jack Liu served as Vice President until July 11, 2018
Note 5: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report. The table is an estimation based on the percentage used 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 of the Parent Company Only, and the Analysis of the Remuneration Policy, Standards and Portfolios, Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks:

- 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 of the parent company only:

Titles	Ratio of total remuneration to net income of the parent company only	
	2018	2017
Directors	0.86%	0.98%
Presidents and Vice Presidents	7.88% (Note)	8.25%

Note: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report. Employees' profit-sharing bonuses are excluded from the calculation for this column.

- 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 profit-sharing bonuses for 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 directors' profit-sharing bonuses in cash". Directors' remuneration is determined with reference to the company's overall operating performance, potential management risks and development trends of the industry, and reasonable compensation is paid on the basis of directors' participation in and contribution to the company's operations. The relevant performance appraisals and remuneration rationale have been reviewed by the Remuneration Committee and the Board of Directors, and the remuneration scheme will be reviewed depending on the actual operating conditions and relevant laws in order to maintain a balance between the company's sustainable operation and risk management.
- 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, employees' profit-sharing bonuses (in cash and/or stock), stocks (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. Board of Directors Meeting Attendance Record

A total of seven board meetings were held in 2018. The directors' attendance record is as follows.

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Chairman	Haydn Hsieh	7	0	100	
Director	Wistron Corp. Representative: Frank F.C. Lin	7	0	100	
Director	Wistron Corp. Representative: Donald Hwang	7	0	100	
Director	Jeffrey Gau	7	0	100	
Director	Max Wu	6	1	86	
Director	Philip Peng	7	0	100	
Independent Director	Robert Hung	7	0	100	
Independent Director	Neng-Pai Lin	7	0	100	
Independent Director	Hsing-Chuan Hsin	7	0	100	

To implement corporate governance, improve the function of the Board of Directors, and enhance its operational efficiency, WNC passed the "Regulations Governing the Board Performance Evaluation" on March 14, 2018 and conducted the first annual performance evaluation of the Board of Directors in the beginning of 2019. Results could be one of three levels: "exceeds standards," "meets standards," and "to be improved." WNC's Board achieved the "exceeds standards" level in the 2018 Board of Directors' performance evaluation.

3.3.2. Audit Committee Meeting Attendance Record

The WNC Audit Committee comprises all three independent directors as its committee members. The committee shall convene a meeting each season before the Board of Directors meets to review WNC internal control systems, the implementation of internal audits, and any significant financial operations to practically supervise enterprise operations and provide risk control. The committee will communicate with Certified Public Accountants.

Review items in 2018 included:

Reviewing financial reports quarterly and annually

- Modifying the internal control system and assessing its effectiveness
- Reviewing significant asset transactions and investment cases
- Amending procedures for the acquisition or disposal of assets
- Reviewing CPA appointments and remuneration
- Modifying accounting policies
- Reviewing the auditing plans for 2019

Audit Committee Members Attendance Status

A total of five Audit Committee meetings were held in 2018:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Independent Director	Robert Hung	5	0	100	
Independent Director	Neng-Pai Lin	5	0	100	
Independent Director	Hsing-Chuan Hsin	3	0	100	

■ Descriptions of the communications between the independent directors, the internal auditors and the CPAs (which should include the material items, measures, and audit results of corporate finance and business operations):

- Communications between the independent directors and the internal auditors

The independent directors periodically receive audit reports. The internal auditors have presented the findings of these audit reports, and communicated with the members of the Audit Committee regarding the audit results and the status of execution at the quarterly meetings of the Audit Committee.

- Communications between the independent directors and the CPAs:

The CPAs have presented to the independent auditors the findings of the quarterly review and audit results on corporate finances at the quarterly meetings of the Audit Committee. Under applicable laws and regulations, the independent auditors have immediately communicated any adjustments suggested at the meeting to the Audit Committee.

3.3.3. 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	Summary	
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 lists of the major shareholders and their ultimate controlling persons. Changes in the amount of shares held by its directors, officers, and major shareholders are 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 "Regulations Governing Supervision and Management of 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. WNC provides information on related stipulations to newly elected directors and managers to raise their awareness and sends e-mail messages to remind them of the disclosure of important financial information.	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 spontaneously set up functional committees other than the Remuneration Committee and Audit Committee required by law? (3) Does the company establish performance evaluation measures/methods for the Board of Directors and conduct regular, annual evaluations?	 ✓ ✓ ✓		(1) WNC has established, in WNC Corporate Governance Best-Practice Principles, and implemented a diversification policy for the composition of the Board. Suitable directors are selected according to their diverse professional competence and experience. Please refer to Note 1 in regards diversification. (2) Other than the Remuneration Committee and Audit Committee required by law, WNC has also set up the RBA Management Committee as a functional committee to implement Responsible Business Alliance (here after referred to as "RBA") and CSR related measures. (3) On March 14, 2018, WNC's Board passed a resolution to stipulate "Regulations Governing the Board Performance Evaluation," based on which the Board shall conduct annual performance evaluations for the Board and for individual Board members. The	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
(4) Does the company conduct regular evaluation of the independence of the CPA?	✓		evaluation period runs from January 1 to December 31 of a given year. WNC completed the performance evaluation for the 2018 Board on February 1, 2019. The secretariat of the Board conducted internal and member evaluation on the aspects of “Members of the Board” and “Overall Board of Directors.” The evaluation indicators include the degree of participation in WNC’s operations, improvements to the Board’s decision-making, the composition and structure of the Board, the election and continued learning of the Directors, internal control, understanding of WNC’s mission and goals, and the perception of the responsibilities of the Board members, internal relationship management and communications. The evaluation results are divided into three levels: exceeds standards, meets standards, and to be improved. The performance evaluation for the 2018 Board was “exceeds standards” and the results were submitted to the Board on March 13, 2019 to serve as the reference for the Board’s continuous improvement on its functions and operation efficiency. (4) WNC’s Audit Committee and the Board of Directors annually evaluate the independence and competence of the CPA, and request the CPA submit a Confirmation Letter of 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 confirmation 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. The company’s CFO, who has more than three years’ experience in managing the company’s finance, stock affairs, and BOD meetings, serves as the supervisor. The Division is responsible for furnishing information required for business execution by directors, minding awareness and compliance with relevant regulations, and handling matters relating to board meetings and shareholder meetings according to applicable laws.	None

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Discrepancies /reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>5. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), create a stakeholders section on its company website, and respond to stakeholders' questions on corporate responsibilities?</td><td>✓</td><td></td><td>WNC has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders to closely follow issues of concern to stakeholders. Communication between various types of stakeholders are included in the "CSR implementation plans and achievements" proposal and submitted to the Board on a regularly basis every year. For more details please refer to the stakeholder communication section of WNC's 2018 CSR report and the CSR page of WNC's website.</td><td>None</td></tr>
<tr><td>6. Does the company engage a professional agency to handle shareholder services relating to the annual shareholders' meeting?</td><td>✓</td><td></td><td>WNC has hired personnel with professional stock-service experience to handle related services. In addition to ensuring the experience and education of the personnel are in accordance with laws and regulations, WNC requires its personnel members to continuously participate in stock-service related training.</td><td>None</td></tr>
<tr><td>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)?</td><td>✓
✓</td><td></td><td>(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 information disclosed on both the Chinese-language and English-language websites, and has assigned Ms. Jona Song (CFO) as the chief spokesperson and Ms. Molly Lin (Associate Vice President) as the acting spokesperson to handle information collection and disclosure.</td><td>None</td></tr>
<tr><td>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 purchasing liability insurance for directors)?</td><td>✓</td><td></td><td>(1) The recruitment policies of WNC conform to government regulations. All employees have equal rights and development opportunities in WNC.
(2) WNC signs purchasing contracts with suppliers to protect mutual rights. Those contracts signed since October 2013 include a compliant statement to meet WNC's Supplier CSR relevant regulations.
(3) In 2018, each member of WNC's Board of Directors attended relevant training courses.
(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 profits.</td><td>None</td></tr>
</table>

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
			(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.
   (1) WNC has conducted a corporate governance self-assessment for year 2018 based on the regulations of the Taiwan Stock Exchange. The results indicate that WNC's performance ranked among the top 6% to 20% of all companies.
   (2) WNC closely follows the issues of stakeholder concerns. The communication between various types of stakeholders are included in the "CSR implementation plans and achievements" proposal and submitted to the Board each year on a regularly basis.
   (3) WNC has completed the GHG inventory in the first quarter of 2019 and obtained the ISO14064-1 verification statement in May, 2019. The results of GHG inventory in the past three years are disclosed in WNC's CSR Reports.
   (4) WNC's Board of Directors passed the "Regulations Governing the Board Performance Evaluation" on March 14, 2018 and completed the 2018 Board performance evaluation in February 2019 in accordance with these regulations. The evaluation results have been submitted to the Board.
   (5) WNC will continue to cooperate with the competent authorities with regard to implementation and improvement of the corporate governance assessment in the future.

Note 1: Diversification of the Board of Directors

Name	Title	Gender	Areas of proficiency		
			Industry/technology	Finance	Law
Haydn Hsieh	Chairman	Male	✓		
Jeffrey Gau	Director	Male	✓		
Frank F.C. Lin	Director, Wistron Corp. Representative	Male	✓	✓	
Donald Hwang	Director, Wistron Corp. Representative	Male	✓		
Philip Peng	Director	Male	✓	✓	
Max Wu	Director	Male	✓		
Robert Hung	Independent Director	Male	✓	✓	
Neng-Pai Lin	Independent Director	Male	✓		
Hsing-Chuan Hsin	Independent Director	Female	✓	✓	✓

3.3.4. 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.

■ 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 educator holding a position of instructor or higher at a public or private junior college, college or university in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company.	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been certified 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	Robert Hung			✓
Independent Director	Neng-Pai Lin	✓		✓
Independent Director	Hsing-Chuan Hsin		✓	✓

Title	Criteria / Name	Independence criteria (Note)								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	Robert Hung	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Neng-Pai Lin	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Hsing-Chuan Hsin	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: 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 affiliates. Not applicable in cases where the person is an independent director of WNC, its parent company, or any subsidiary, as appointed 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 issued shares of WNC or ranks as one of its top 10 shareholders.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above 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 issued shares of WNC or who holds shares ranking in the top five holdings.
(6) Not a director, supervisor, executive, 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 executive 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 been a person of any condition defined in Article 30 of the Company Law.

■ Attendance of Members at Remuneration Committee Meetings

- There are three members on the Remuneration Committee whose terms run from July 12, 2017 to June 15, 2020.
- A total of three Remuneration Committee meetings were held in 2018. The attendance record of the Remuneration Committee members is as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Convener	Neng-Pai Lin	3	0	100	
Committee member	Robert Hung	3	0	100	
Committee member	Hsing-Chuan Hsin	3	0	100	

■ Other items of note:

- 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., Should the remuneration passed by the Board of Directors exceed the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified). Instances where the Board of Directors declined such a recommendation: None.
- 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 being specified: None.
- Discussion items and resolutions:

<table>
<tr><th>Date of meeting</th><th>Content of important motions</th><th>Resolution by the Committee and the Company's response to the Committee's opinion</th></tr>
<tr><td>The first meeting of the Remuneration Committee in 2018 (March 14)</td><td>• Proposal to adjust the salaries of the Chairman & CSO and the President & CEO in 2018
• Proposal to adjust the salaries of executives in 2018
• Proposal regarding the distribution of executives' project bonuses in the second half of 2017
• Motion regarding the distribution of employees' and directors' profit-sharing bonuses in 2017</td><td rowspan="3">The proposals and recommendations were passed by unanimous vote of the Remuneration Committee and approved by the Board of Directors</td></tr>
<tr><td>The second meeting of the Remuneration Committee in 2018 (August 1)</td><td>• Proposal regarding the distribution of directors' profit-sharing bonuses in 2017
• Proposal regarding the distribution of executives' profit-sharing bonuses in 2017
• Proposal regarding the distribution of executives' project bonuses in the first half of 2018</td></tr>
<tr><td>The third meeting of the Remuneration Committee in 2018 (December 19)</td><td>• Proposal regarding the distribution of executives' performance bonuses in 2018</td></tr>
</table>

3.3.5. Corporate Social Responsibility and the Discrepancies Between Actual CSR and the "CSR Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons for the Discrepancies

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Discrepancies /reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1. Exercise of Corporate Governance

(1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?
(2) Does the company regularly conduct training related to social responsibility?
(3) Does the company establish exclusively (or concurrently) dedicated units in charge of proposing and enforcing 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?
(4) Does the company specify reasonable remuneration policies and associate the employee performance appraisal system to the CSR policies and establish a clear and effective reward and discipline system?</td><td>

✓

✓

✓

✓</td><td></td><td>(1) WNC has established the WNC Corporate Social Responsibility (hereafter referred to as "CSR") policies to demonstrate our resolve in implementing CSR's economic, environmental, and social aspects. In order to conduct effective management and promote measures related to corporate governance, ethical corporate management, and corporate social responsibilities, WNC 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." Functional units with different job responsibilities shall cooperate to implement relevant measures based on company policies and review performance every 6 months. Each functional unit shall also closely monitor changes in international initiatives and regulations and determine, in a timely manner, whether relevant management methods and operations procedures must be modified.

(2) In addition to administering CSR online training courses during new-employees' and managers' training courses to promote CSR awareness and policies, WNC also conducts related online or live courses based on the requirements of laws, regulations, customers, and policies. The contents of the WNC CSR Handbook is also posted on WNC's internal website to strengthen employees' understanding of CSR and RBA regulations. The "WNC Ethics and Anti-Corruption Code of Conduct" online training program has been conducted annually since 2017 to enable all employees in Taiwan to better understand anti-corruption policies.

(3) WNC's Marketing and Corporate Communication Division and RBA Management Committee direct WNC's implementation efforts regarding sustainable development. Such efforts include the stipulation of policies and management regulations related to sustainable development, disclosure of progress and achievements in sustainable development, and assisting WNC's function units in implementing items related to sustainable development. Operations related to implementing sustainable development will be conducted by various function units in accordance with their job duties, and shall comply with related WNC policies. Personnel in function units shall also pay close attention to related international initiatives and regulations to see if management regulations and operational procedures for implementing sustainable development need to be updated. Starting in 2019, the President & CEO of WNC regularly</td><td>None</td></tr>
</table>

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
			reports to the Board of Directors regarding communication with stakeholders on sustainable development, the plans WNC has regarding sustainable development, as well as progress made in this area. (4) WNC regularly adjusts employee salaries according to current price levels, market supply and demand status, average salary levels in the industry, and local laws or regulations. WNC provides employees with various bonuses and reward systems to ensure reasonable compensation for colleagues as well as to retain and attract talented employees. WNC has implemented its internal regulations in accordance with applicable national laws. Policies covering areas 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 purview of corporate compliance. WNC conveys these policies to new employees in their training and to existing employees, managers, and the Board of Directors. Moreover, all WNC subsidiaries and affiliates are required to follow the same corporate-compliance guidelines. Any violation of the guidelines will directly affect the employee’s performance appraisal, and he or she will be punished according to appropriate punitive measures. For details, please refer to “Sustainable Management,” Section 2.2 “Integrity Management,” and Section 3.3 “Overall Remuneration” in WNC’s 2018 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 environmental-management systems based on the characteristics of different industries? (3) Does the company monitor the impact of climate change on its operations, conduct a	✓ ✓ ✓		(1) WNC cooperates with its suppliers to achieve international environmental standards and provides its customers with green products that: are energy-efficient; are toxin-free or of low toxicity; produce low amounts of emissions; have design and production service cycles designed for recyclability and renewability: and have 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 specified by WNC for energy-using products. (2) WNC pays close attention to environmental protection and monitors correlated trends. In addition to complying with all local environmental-protection laws and regulations, WNC also actively collaborates with customers 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, ISO 50001 and IECQ QC 080000 certification and regularly conduct internal audits and third-party examinations every year. (3) In addition to improving the energy-usage efficiency of	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
greenhouse-gas inventory, and establish strategies for energy conservation and carbon and greenhouse-gas reduction?			products through enhanced product design, research and development, and manufacturing processes, WNC continues to implement energy-saving and carbon-reducing concepts and activities in its work environment. Taking inventory of greenhouse-gas emissions and planning for further certification are also being undertaken in phases according to specified plans. For details, please refer to Section 2.3 "Risk Management," Section 4.3 "Carbon Emissions Management," and Section 4.4 "Energy and Resources Management" in WNC's 2018 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? (2) Does the company establish an employee-complaint mechanism and channel and appropriately handle related cases? (3) Does the company provide a safe and healthy work environment for its employees and organize safety and health training on a regular basis? (4) Has the company established a regular communication mechanism and does it use reasonable methods to inform employees of critical operational changes? (5) Does the company	✓ ✓ ✓ ✓ ✓		(1) WNC complies with relevant labor laws and regulations, and promises to follow international regulatory and human rights conventions such as "Universal Declaration of Human Rights" released by the UN, "The UN Global Compact's Ten Principles," and the "Core Labor Standards of Fundamental Conventions" released by the International Labor Organization. WNC voluntarily follows the spirit of the RBA's Code of Conduct. WNC plans to expand implementation of the RBA's Code of Conduct requirements throughout its entire supply chain. WNC has established the WNC RBA Management Committee and adopted its own WNC RBA 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 "Respect for Human Rights" in WNC's 2018 CSR Report. (2) WNC has established diverse, open, and transparent communication channels and continues to seek ways to enhance mutual and real-time communication with its employees. A public e-mail address has been established 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 2018 CSR Report. (3) WNC has worked proactively to establish a safe and healthy work environment. Besides establishing management regulations regarding labor safety and health, WNC also preemptively conducts related risk assessments, provides controls, and manages changes under those controls for their impact on safety and health. OHSAS 18001 internal audits and third-party examinations are regularly conducted every year to verify the operating status of the occupational safety	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
establish effective career-development training plans for employees? (6) Does the company specify related consumer-rights-protection policies and complaint procedures relating to aspects including research and development, procurement, production, operations, and service processes? (7) Does the company conduct the marketing and indication of products and services based on related laws/regulations and international standards? (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? (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?	 ✓ ✓ ✓ ✓		and health management systems and to ensure their continuous improvement. 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 Safety and Health Management" in WNC's 2018 CSR Report. (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 regarding the workplace and quality of life. In addition to regular communication channels, WNC also conducts an employee satisfaction survey and seminars on a random basis to further ensure a smooth relationship between the management and employees. For WNC's subsidiaries in China, labor unions were established and relevant seminars are also conducted. 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 currently serve as the main communication channels. WNC (Kunshan) Corporation also established a communication mechanism on the WeChat messaging platform which enables automatic announcement of activities related to the company, as well as on-line consultation and assistance. For details, please refer to Section 3.1.3 "Communication Mechanisms" in WNC's 2018 CSR Report. (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 training programs designed to enhance job performance and key competencies, as well as supervisory and leadership training. For details, please refer to Section 3.4 "Training and Development" in WNC's 2018 CSR Report. (6) WNC lets its customers directly address all types of consumer-rights affairs. To raise the level of trust and satisfaction that customers hold for WNC's products and services, our customer services division has also instituted a	

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
			customer satisfaction mechanism. Every year a satisfaction survey and analysis is carried out on product quality, technology, delivery, and other service items. Based on this customer satisfaction survey, analysis of reasons for dissatisfaction are relayed to related business units, allowing them to draft and execute plans for improvement and track improvement progress. (7) WNC lets its customers address product-marketing matters, and 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 each phase from product design, through production, to delivery. (8) WNC has formulated the “WNC Supplier Code of Conduct” and requires all new suppliers to sign the “Supplier CSR Declaration” and the “WNC Group Supplier's Commitment for Code of Ethics,” in which they shall declare their commitment to fulfilling social responsibilities, guarantee and promise to ban child labor and forced labor, implement occupational safety and health management, fight against bribery and corruption, promote fair trade, and support employees’ freedom of association and bargaining rights with management. WNC also asks its suppliers to fill out the "WNC Supplier CSR Questionnaire" in order to ascertain supplier’s implementation outcome in the areas of labor, health and safety, environmental protection, management systems, and business ethics. (9) The WNC Group Supplier’s Commitment for Code of Ethics and WNC’s Procurement Agreement specify that, if a supplier violates the laws and items of the commitment, WNC may suspend, terminate, or cancel business with that supplier and also conduct a CSR audit on said supplier. WNC’s Supplier Quality Management Center is responsible for tracking audit results and the improvement plans submitted by the supplier, and it shall monitor the supplier in accordance with supplier evaluation management regulations to ensure that the supplier complies with RBA regulations and continuingly shows improvement. For details, please refer to Section 5.2.6 “CSR Audit” in WNC’s 2018 CSR Report.	

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
4. Enhancing Information Disclosure (1) Does the company disclose the information related to, or has an impact on, the company's CSR activities on its company website and the Market Observation Post System?	✓		(1) In addition to uploading the CSR report to the Market Observation Post System, a corporate social responsibility section and a designated e-mail contact have also been created and posted on WNC's website to provide a thorough consultation service. WNC has also responded to the CDP (Carbon Disclosure Project) and the EcoVadis platform's related surveys to evaluate and disclose WNC's CSR performance and results through impartial third parties.	None
5. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation: To summarize the statements above, there is no notable discrepancy between the measures' implementation and WNC's corporate social responsibility principles.				
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				
7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below: WNC's 2018 CSR report is compiled based on the Sustainability Reporting Guidelines Standards 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 Standards requirements, and has been verified to meet the requirements of GRI Standards: Core option and AA1000 Assurance Standard Type 1 moderate level assurance.				

3.3.6. Ethical Corporate Management and the Discrepancies Between Actual Ethical Corporate Management and the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons for the Discrepancies

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
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, and is its board committed to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and have the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conduct or listed activities stated in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓ ✓ ✓		(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 international conventions placing greater scrutiny on the development of labor, health and safety, environmental protection, and ethics standards, WNC commits to the implementation of an RBA management system and its relevant guidelines. WNC has established the RBA Management Committee and appointed the head of the Marketing and Corporate Communication Division to serve as the management representative of the RBA Management System and to be responsible for the establishment, implementation, and maintenance of RBA-related policies. 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 RBA 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 to its code of ethics. (2) WNC has formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form for reporting unlawful conduct. An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on WNC's website. (3) With regard to units and personnel members may face situations presenting a higher potential for unethical conduct, WNC administers training and education and compiles relevant work 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 further protect WNC's trade secrets and intellectual property rights.	None
2. Ethical corporate management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) WNC has formulated the "WNC RBA 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; and e. Management System. WNC has required that its major suppliers sign the RBA Code of Conduct and commit to complying with the relevant provisions of the Code. (2) WNC has established the Integrity Office in accordance with	None

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Discrepancies/ reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and has the company enforced it?
(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?
(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?</td><td>✓
✓
✓
✓</td><td></td><td>the “Procedures for Ethical Management and Guidelines for Conduct.” The Integrity Office is responsible for implementing ethical management at WNC, and is also the unit in charge of amending, interpreting, and providing advisory consultation on the aforementioned Procedures and Guidelines as well as the recording and filing of related reports. The Integrity Office and the Audit Office shall monitor the implementation of the aforementioned Procedures and Guidelines and submit regular annual reports to the Board of Directors on the implementation status.

WNC’s achievements in implementing ethical management in 2018 is as below:
a. All IDL employees have signed the commitment to WNC’s code of ethics.
b. 99.6% of employees have completed the "WNC Ethics and Anti-Corruption Code of Conduct" on-line training course.
c. All employees who received the “Commitment to Integrity Questionnaire for Employees with Specific Job Duties” completed it.
d. The three cases sent to the independent complaint mailbox have been processed. The root cause for all three cases were found and suitable measures were implemented.

(3) An independent complaint mailbox (wnc.integrity@wnc.com.tw) has been established on the WNC website. In addition, WNC has formulated the “WNC Reporting and Handling Procedure” to establish the procedure, flowchart, and form for reporting incidences of unlawful conduct.

(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. The Audit Office performs project audits when necessary and provides management personnel with information regarding existing faults or potential risks in a timely manner. The Audit Office reports its auditing activities to the Audit Committee on a regular basis and attends board meetings to report to the Chairman and the Audit Committee when necessary.

(5) WNC provides the “WNC Supplier 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 & RBA introduction” e-learning course to enable employees to understand WNC’s corporate social responsibilities and the WNC RBA Code of Conduct.
Since 2017, WNC has provided the “WNC Ethics and Anti-Corruption Code of Conduct” e-learning course for management integrity training.</td><td></td></tr>
</table>

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
3. Operation of reporting channels (1) Does the company establish both a reward/punishment system and an integrity hotline? Will a designated person conduct follow-up on the accused party? (2) Does the company establish measures to protect confidentiality and standard operating procedures for investigating accusations? (3) Does the company provide proper whistleblower protection?	✓ ✓ ✓		(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) 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. (3) The "WNC Reporting and Handling Procedure" specifies that the responsible unit will ensure the identities of reporting parties will be held secret, and that reporting parties are not open to retaliation.	None
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and the Market Observation Post System?	✓		(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. 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. WNC also publishes its "Ethical Corporate Management Best-Practice Principles" and "Code of Ethical Conduct" on the Market Observation Post System.	None
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 discrepancies.				
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 to a 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 property are prohibited. Also, bribes or any other form of improper advantage must not be provided or accepted.				

3.4. Accountant Fee

3.4.1. Range of Accountant Fee

Accounting firm	Name of CPA		Audit period	Remarks
KPMG	Hai-Ning Huang	Sing-Hai Wei	Jan. 1, 2018–Dec. 31, 2018	

Unit: Thousand NT$

Range \ Item		Audit fee	Non-audit fee	Total
1	Under NT$2,000,000		✓	160
2	NT$2,000,000–NT$3,999,999			
3	NT$4,000,000–NT$5,999,999			
4	NT$6,000,000–NT$7,999,999	✓		6,665
5	NT$8,000,000–NT$9,999,999			
6	Over NT$9,999,999			

3.4.2. In the event that the non-audit fees paid to the CPA, the accounting firms of the CPA and their affiliates account for one-fourth of the audited public funds and above, disclose the amount of the audit fees, non-audit fees, and the non-audit services: None

3.4.3. In the event of a change of accounting firms and the audit fees paid in the year when such change takes place is less than the audit fees of the previous year, disclose the amount of the audit fees before and after the change and the reasons: None

3.4.4. In the event that the audit fees decrease by 15% or more compared to the previous year, disclose the amount, proportion, and the reason for the reduction in the audit fees: None

Unit: Thousand NT$

Accounting firm	Name of CPA		Audit fee	Non-audit fee					CPA audit period	Remarks
				System design	Company registration	Human resource	Others	Sub-total		
KPMG	Hai-Ning Huang	Sing-Hai Wei	6,665	0	0	0	160 (Note)	160	Jan. 1, 2018–Dec. 31, 2018	

Note: Consists of the fees of the accountants for reviewing increase of capital by capitalization of earnings and auditing of capital amount.

3.5. Change of CPA: None

3.6. The company's Chairman, President, or managers in charge of its finance and accounting operations who have assumed positions in the independent audit firm or its affiliates in the most recent year: None

4 Capital Overview

4.1. Capital and Shares

4.1.1. Type of Stock

April 7, 2019

Type of stock	Authorized capital			Remarks
	Issued shares	Un-issued shares	Total shares	
Common stocks	390,409,302	109,590,698	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: Except for the par value (in NT$), numbers are in thousands (Shares or NT$)

Month/ year	Par value (NT$)	Authorized capital		Paid-in capital		Remarks	
		Shares	Value	Shares	Value	Sources of capital	Capital increased by assets other than cash
01/2018	10	500,000	5,000,000	366,777	3,667,771	Conversion of corporate bonds into shares: 2,809,428 shares Cancellation of Restricted Stock Awards: 193,000 shares	None
08/2018	10	500,000	5,000,000	374,081	3,740,807	Appropriations of earnings in stock dividends: 7,335,542 shares Cancellation of Restricted Stock Awards: 32,000 shares	None
01/2019	10	500,000	5,000,000	373,875	3,738,751	Cancellation of Restricted Stock Awards: 205,600 shares	None
03/2019	10	500,000	5,000,000	390,409	3,904,093	Conversion of corporate bonds into shares: 16,534,211 shares	None

4.1.4. Composition of Shareholders

April 7, 2019; Unit: Shares; %

Item	Shareholder types					
	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions & natural persons	Domestic natural persons	Total
Number of shareholders	5	13	161	219	32,417	32,815
Shareholding (shares)	15,034,982	3,209,980	140,144,273	96,474,318	135,545,749	390,409,302
Percentage	3.85%	0.82%	35.90%	24.71%	34.72%	100.00%

4.1.5. Shareholding Distribution Status

April 7, 2019; Unit: Shares; %

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1–999	12,273	1,861,638	0.48
1,000–5,000	15,662	29,949,555	7.67
5,001–10,000	2,429	17,209,805	4.41
10,001–15,000	853	10,117,157	2.59
15,001–20,000	406	7,217,859	1.85
20,001–30,000	381	9,197,171	2.36
30,001–50,000	316	12,200,753	3.13
50,001–100,000	239	16,909,872	4.33
100,001–200,000	113	15,082,428	3.86
200,001–400,000	52	14,572,808	3.73
400,001–600,000	25	12,853,251	3.29
600,001–800,000	11	7,549,451	1.93
800,001–1,000,000	5	4,561,669	1.17
1,000,001 or over	50	231,125,885	59.20
Total	32,815	390,409,302	100.00

4.1.6. Major Shareholders

April 7, 2019; Unit: Shares; %

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Corporation	89,674,679	22.97
Chang Gung Medical Foundation	11,715,509	3.00
Labor Pension Fund (New Scheme)	10,838,147	2.78
Haydn Hsieh	5,898,971	1.51
Value Partners High-Dividend Stocks Fund	5,544,480	1.42
Norges Bank	5,462,909	1.40
Cathay Life Insurance Co., Ltd.	5,460,044	1.40
Taiwan Life Insurance Co., Ltd.	4,631,426	1.19
JPMorgan Chase Bank N.A., Taipei Branch, in custody of the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,502,534	1.15
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	4,289,687	1.10

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

Unit: NT$

Item		Year	2017	2018	Jan. 1, 2019–Mar. 31, 2019
Market Price per Share	Highest market price	Current	105.5	89.1	84.7
		Adjusted	98.89	83.73	
	Lowest market price	Current	78.5	63.3	74.5
		Adjusted	72.67	58.43	
	Average market price		88.78	75.18	79.25
Net Worth per Share	Before distribution		38.77	40.70	42.24
	After distribution		35.07	Note 1	—
Earnings per Share	Weighted average shares (unit: thousand shares)		358,251	370,219	387,839
	Earnings per share	Current	5.76	5.21	0.65
		Adjusted	5.65	Note 1	—
Dividends per Share	Cash dividends		3.70032284	Note 1	—
	Stock dividends	Dividends from Retained Earnings	0.2000174	Note 1	—
		Dividends from Capital Surplus	0	Note 1	—
	Accumulated Undistributed Dividends		0	Note 1	—
Return on Investment	Price / Earnings Ratio (Note 2)		15.41	14.43	—
	Price / Dividend Ratio (Note 3)		23.99	Note 1	—
	Cash Dividend Yield Rate (Note 4)		4.17%	Note 1	—

Note 1: Distribution of earnings has not yet been ratified because the 2019 shareholders' meeting had 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

■ 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 the beginning of this 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.

■ Proposed distribution of dividends

The proposal for the distribution of 2018 profits of cash dividends of NT$3.5 per share, as listed in the table below, was passed at the meeting of the BOD on March 13, 2019. The proposal will be implemented after discussion and approval during the Shareholders' Meeting to be held on June 5, 2019.

Earnings Appropriation Statement for Year 2018

Unit: NT$

Item	Amount
Unappropriated retained earnings at beginning of period	4,228,922,169
Minus: Changes in the remeasurements of the defined benefit plans	(4,724,800)
Plus: Compensation cost of restricted stock awards	1,567,626
Plus: Adjustment amount ascending to retrospective application of new standards	35,053,284
Adjusted unappropriated retained earnings	4,260,818,279
Plus: Profit after year's tax	1,929,344,847
Minus: Legal reserve	(192,934,485)
Minus: Other special reserve	(240,952,304)
Retained earnings for appropriation	5,756,276,337
Shareholder dividends and bonuses (Cash dividend: NT$3.5 per share)	1,366,432,557
Unappropriated retained earnings at end of period	4,389,843,780

■ Descriptions of any expected significant changes to dividend policies: None

4.1.9. The impact of stock dividends distribution proposed in this shareholders' meeting toward WNC's business performance and EPS: N/A

4.1.10. Profit-Sharing Bonuses for Employees and Directors

■ 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 profit-sharing bonuses for 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:

- No less than 5% as profit-sharing bonuses for employees; where such bonuses are distributed by shares or as cash; employees of controlled companies, with qualifications set by the Board of Directors, can be included;
- No more than one percent (1%) as directors’ profit-sharing bonuses in cash.

■ The accounting treatment if there is a difference between the actual distribution and the estimated basis for calculating profit-sharing bonuses 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.

■ Profit-sharing bonuses distribution approved by the Board of Directors

- The profit-sharing bonuses approved by the Board of Directors is NT$222.377 million for employees and NT$15.884 million for directors. There is no difference between the estimated expense and the proposed amounts approved by the Board of Directors.
- Ratio of stock bonuses for employees to the net income of the parent-company-only financial statements: N/A

■ The actual distribution of the profit-sharing employee bonuses and directors’ compensation 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$

	Proposed amount approved by the BOD	Actual distribution amount (Note)
Employees’ profit-sharing bonuses (in cash)	273,900,946	273,900,946
Directors’ profit-sharing bonuses	19,564,353	19,564,353
Total	293,465,299	293,465,299

Note: The above profit-sharing bonuses for employees and directors were expensed under WNC’s 2017 statement of comprehensive income and the same amounts were approved by the BOD.

4.1.11. Buyback of Stock: None

4.2. Issuance of Corporate Bonds

4.2.1. Corporate Bond Overview

Type of corporate bond		Domestic unsecured convertible corporate bonds issued for the second time
Issuance date		Jan, 5, 2016
Par value		NT$100,000
Issue price		Each bond is issued at 100% of par value
Total value		NT$ 1,500,000,000
Issue coupon/interest rate		The coupon rate is 0%
Maturity period		Three-year maturity
Guarantor		None
Trustee		Taipei Fubon Commercial Bank Co., Ltd.
Underwriter		KGI Securities Co. Ltd.
Certifying attorney		N/A
Auditor		N/A
Repayment		With the exception of cases where bondholders convert bonds in to company common shares in accordance with Article 10 of the Rules, and the bonds bought back by securities companies for retirement, WNC shall repay, in cash form, the convertible corporate bonds of bondholders in accordance with the face value of the bonds.
Outstanding		0
Redemption/early redemption clause		None
Limitation clauses		None
Name of credit rating agency, rating date, and corporate bond rating results		N/A
Other rights of bondholders	Amount of shares converted (exchange/warrant) into common shares, overseas depositary receipts, or other negotiable securities.	20,337,473 shares have been converted (Note)
	Issuance and conversion (exchange/warrant)	Refer to the data on bond issuance in the MOPS.
Possible dilution effect and other adverse effects on existing shareholders caused by issuance/conversion, exchange/warrant, and issuance conditions.		The coupon rate of WNC's convertible corporate bonds is 0%, and the conversion price is set at a discount, thus there is no adverse effect on shareholders.
Custodian		N/A

Note: OTC trading of the domestic unsecured convertible corporate second-issue bonds ended upon their expiration on January 5, 2019.

4.2.2. Convertible Corporate Bonds

Unit: NT$

Type of corporate bond		Domestic unsecured convertible corporate bonds issued for the second time (Note)	
Item \ Year		2017	2018
Market price	Highest	127.6	117.2
	Lowest	107	101
	Average	115.5	107.86
Conversion price		81.7/76.3	76.3/71.3
Issuance date and issuance conversion price		Jan. 5, 2016, 88	Jan. 5, 2016, 88
Bond conversion method		Issuance of new shares	Issuance of new shares

Note: OTC trading of the domestic unsecured convertible corporate second-issue bonds ended upon their expiration on January 5, 2019.

4.2.3. Exchangeable Bonds: None

4.2.4. General Report on Issued Corporate Bonds: None

4.2.5. Bonds with Warrant: None

4.3. Special Shares: None

4.4. Overseas Depositary Receipts: None

4.5. Employee Stock Options: None

4.6. Issuance of Employee Restricted Stock Awards

4.6.1. Issuance of Employee Restricted Stock Awards

May 6, 2019

Type of employee restricted stock awards	Employee restricted stock awards for the year 2016
Date of effective registration	September 6, 2016
Issue date	November 1, 2016/July 3, 2017
Number of employee restricted stock awards issued	6,990,000/510,000
Issued price	0
Employee restricted stock awards as a percentage of shares issued	1.92 %
Vesting conditions of employee restricted stock awards	Employees who are still in service at the end of vesting periods, are qualified to receive Restricted Stock Awards on the first anniversary of the grant date of Restricted Stock Awards, in a number determined for grant that year. Based on WNC's overall performance and the employees' performance assessment results, WNC shall determine the number of the Restricted Stock Awards distributable within the total number of shares to be granted during the year. 1. WNC's overall performance indicators A. The vested ratio of the total number of Restricted Stock Awards to be granted during the year is determined based on WNC's EPS from the consolidated financial statements (which have been audited and certified by a certified public accountant) of the most recent year upon the expiration of the vesting period. WNC's EPS will be compared with those of other companies in the network-communications industry category: If WNC's EPS ranks among the top 1/3 of the companies in the network communications industry, the vested ratio will be 100%. If WNC's EPS ranks below the top 1/3 but among the top 2/3 of companies in the network communications industry, the vested ratio will be 75%. If WNC's EPS fails to rank among the top 2/3 of the companies in the network communications industry, the vested ratio will be 0%. B. The companies in the same network-communications industry category as WNC refer to: Sercomm Corporation, Gemtek Technology Co., Ltd., Microelectronics Technology Inc., Prime Electronics and Satellitics Inc., Zinwell Corporation, Alpha Networks Inc., CyberTAN Technology, Inc., Accton Technology Corporation, Arcadyan Technology Corporation, AzureWave Technologies, Inc., and Senao Networks, Inc. If there are changes to this list, the Remuneration Committee of WNC is in charge of approving the changes. C. With regard to WNC's overall performance indicators, upon the occurrence of circumstances unforeseeable during the formulation of the current measures (such as international industry and economic situations having a significant impact on WNC's operations), WNC's remuneration committee may propose to adjust such indicators or the vested ratio. Any proposed adjustments to the indicators or ratio shall be approved by the Board of Directors before they can be applied. 2. Employees' performance indicators Subject to the company's overall performance indicators above, Employees with service of one year, two years, and three years following the grant date of Restricted Stock Awards, and who obtain an A or above in their annual performance assessment results in the corresponding year(s), can receive up to the total number of shares to be granted during that/those year(s). Employees with a performance assessment result of A- may receive up

	to 80% of the total number of shares to be granted during the corresponding year. Employees with a performance assessment result of B or below forfeit any right to shares during the corresponding year. 3. If WNC's overall performance indicators fail to rank among the top 2/3 of the companies in the network communications industry, it is considered, in principle, that the vesting conditions are not met. However, if the employee who has been granted Restricted Stock Awards has made important contributions to the company and if the employee obtains an A or above in their performance assessment results in the same year, WNC's remuneration committee may propose a different number of vested shares within the total number of Restricted Stock Awards granted to the employee during the year. Such a proposal shall be approved by the Board of Directors before it can be applied. In this case, WNC's overall performance indicators will be excluded as one of the vesting conditions.
Restricted rights of employee restricted stock awards	With the exception of inheriting stock awards, employees receiving Restricted Stock Awards shall not sell, pledge, transfer, gift to others, assign, or otherwise dispose of their Restricted Stock Awards before meeting the vesting conditions. Once employees meet the vesting conditions, the Restricted Stock Awards will be sent to employees' settlement account via a trust account in accordance with the stipulations in the security trust agreement. Employees' right to attend, raise proposals, speak, and vote at shareholder meetings are enforced in accordance with the stipulations in the security trust agreement. Besides the rights stipulated in the security trust agreement mentioned in the previous paragraph, employees who receive Restricted Stock Awards in accordance with the regulations in this section also have the same rights, including but not limited to, stock dividends, bonuses, additional paid-in capital, and stock options via capital increase by cash, as other WNC common stock shareholders have, even before the vesting conditions are met. For employees who meet the vesting conditions for Restricted Stock Awards beginning with: book closure dates for issuance of bonus shares, book closure dates for ex-dividend, book closure dates for issuance of shares for cash capital increase, book closure period for shareholder meetings as stipulated in Paragraph 3 of Article 165 of the Company Act, or other legal closure periods; and ending with the record date of stock rights distribution, the vesting time and procedures shall be decided in accordance with the security trust agreement.
Custody status of employee restricted stock awards	Managed by security trust
Measures to be taken when vesting conditions are not met	WNC will redeem at no cost and cancel the employee restricted stock awards when vesting conditions are not met.
Number of employee restricted stock awards that have been redeemed or bought back	490,000
Number of released restricted stock awards	4,507,000 (Note)
Number of unreleased restricted stock awards	2,503,000
Ratio of unreleased restricted stock awards to total issued shares	0.64%
Impact on shareholder rights	As of May 6, 2019, 4,507,000 shares of restricted stock awards for 2016 were vested. Since the rights and obligations of the vested shares are the same as those of the common stock issued by WNC, there is no significant impact on the shareholders of WNC.

Note: The number of released shares does not include the 490,000 shares that were redeemed and cancelled.

4.6.2. List of managers receiving restricted stock awards and the top ten employees with restricted stock awards

May 6, 2019 Unit: NT$/share

<table>
<tr><th rowspan="2"></th><th rowspan="2">Job title</th><th rowspan="2">Name</th><th rowspan="2">No. of restricted stock awards received</th><th rowspan="2">Restricted stock awards received as a percentage of shares issued (%)</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Number of released shares</th><th>Issued price</th><th>Issued amount</th><th>Released restricted shares as a percentage of shares issued</th><th>Number of unreleased shares</th><th>Issued price</th><th>Issued amount</th><th>Unreleased restricted shares as a percentage of shares issued (%)</th></tr>
<tr><td rowspan="15">Executives</td><td>Chairman & CSO</td><td>Haydn Hsieh</td><td rowspan="15">3,325,000</td><td rowspan="15">0.85</td><td rowspan="15">2,157,000 (Note 4)</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0.55</td><td rowspan="15">1,133,000</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0.29</td></tr>
<tr><td>Director,
President & CEO</td><td>Jeffery Gau</td></tr>
<tr><td>Executive Vice President and General Manager of Business Group</td><td>Larry Lee</td></tr>
<tr><td>Sr. Vice President and General Manager of Business Group</td><td>Fayu Chen</td></tr>
<tr><td>Vice President and General Manager of Business Group</td><td>Johnson Hsu</td></tr>
<tr><td>Vice President</td><td>Bird Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lee</td></tr>
<tr><td>Vice President</td><td>Chris Hwang</td></tr>
<tr><td>Vice President</td><td>TJ Chen</td></tr>
<tr><td>Vice President</td><td>Apollo Shyong</td></tr>
<tr><td>Vice President</td><td>Joseph Chi</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 Supply Chain Officer</td><td>Amy CY Hsu</td></tr>
<tr><td>Chief Technology Officer</td><td>Horen Chen</td></tr>
</table>

<table>
<thead>
<tr><th rowspan="2"></th><th rowspan="2">Job title</th><th rowspan="2">Name</th><th rowspan="2">No. of restricted stock awards received</th><th rowspan="2">Restricted stock awards received as a percentage of shares issued (%)</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Number of released shares</th><th>Issued price</th><th>Issued amount</th><th>Released restricted shares as a percentage of shares issued</th><th>Number of unreleased shares</th><th>Issued price</th><th>Issued amount</th><th>Unreleased restricted shares as a percentage of shares issued (%)</th></tr>
</thead>
<tbody>
<tr><td rowspan="6">Executives</td><td>Associate Vice President</td><td>Owen Tai</td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td><td rowspan="6"></td></tr>
<tr><td>Associate Vice President</td><td>Robin Wu</td></tr>
<tr><td>Associate Vice President</td><td>Jack YC Liu (Note 1)</td></tr>
<tr><td>Associate Vice President</td><td>CW Sheu (Note 1)</td></tr>
<tr><td>Associate Vice President</td><td>David Tsai (Note 2)</td></tr>
<tr><td>Vice President</td><td>Jack Liu (Note 3)</td></tr>
<tr><td rowspan="10">Employees</td><td>Special Assistant</td><td>Chun Lee</td><td rowspan="10">1,280,000</td><td rowspan="10">0.33</td><td rowspan="10">810,000 (Note 5)</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.21</td><td rowspan="10">426,000</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.11</td></tr>
<tr><td>Vice General Plant Manager</td><td>Hugo Chen</td></tr>
<tr><td>KS Site Plants - General Manager</td><td>Jason YH Chen</td></tr>
<tr><td>Associate Vice President</td><td>Queck Lo</td></tr>
<tr><td>Associate Vice President</td><td>Having Lu</td></tr>
<tr><td>CTO of the Networking BG</td><td>Gene Chuang</td></tr>
<tr><td>Associate Vice President</td><td>Joanne Han</td></tr>
<tr><td>Associate Vice President</td><td>Dennis Kung</td></tr>
<tr><td>Senior Associate Vice President</td><td>CY Chang</td></tr>
<tr><td>Associate Vice President</td><td>Henry Hsu</td></tr>
</tbody>
</table>

Note 1: Mr. Jack YC Liu and Mr. CW Sheu were promoted to Associate Vice President on October 5, 2018
Note 2: Mr. David Tsai was promoted to Associate Vice President on January 5, 2019
Note 3: Mr. Jack Liu served as Vice President until July 11, 2018.
Note 4: Released shares do not include the 35,000 shares that were canceled.
Note 5: Released shares do not include the 44,000 shares that were canceled.

4.7. Status of New Share Issuance in Connection with Mergers and Acquisitions: None

4.8. Financing Plans and Implementation: N/A

5 Overview of Business Operations

5.1. Business Content

5.1.1. Business Scope

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, sales, and import/export business of products listed below:

- Satellite communications product series
- Mobile and portable communications product series

■ Revenue distribution

Revenue Distribution of Products by Category

Unit: Thousand NT$

Item \ Year	2018	
	Amount	Percentage (%)
Wireless communications products	54,094,833	96.51
Others	1,954,843	3.49
Total	56,049,676	100.00

■ Current products

Category	Item
Satellite communications product series	• DTH TV dish antenna systems • Single cable multi-output outdoor receiver systems and derivative products • Satellite digital signal convertors • Digital satellite radio receiver systems • Digital HD radio receiver systems • Satellite communications transmitters • 4K/8K high-definition digital satellite radio receivers • Lightweight high-frequency satellite two-way communications receivers

Category	Item
Mobile and home communications product series	• 4G/5G wireless network communications equipment and modules • 4G indoor and outdoor broadband network terminal devices • Embedded antennas for mobile devices • Fiber-optic connectivity devices • Digital-home image sensors • Automotive 4G/Wi-Fi/BT modules • Wi-Fi mesh routers • BLE modules and sensors • High-speed datacenter network switches • Next-generation mmWave mobile broadband home gateways • Smart home devices with voice assistant
Other wireless products	• Miniaturized high-frequency forward collision warning automotive radar devices • Miniaturized high-definition automotive cameras • mmWave transmission modules • Narrow-band IoT asset-tracking devices • RFID reader/antenna product series

■ New products under development

Category	Items
Microwave communications product series	• Next-generation mmWave mobile broadband extenders • Next-generation mmWave outdoor high-frequency transceivers
Mobile and home communications product series	• Next-generation mobile communications routers • 802.11ax smart devices with voice assistant • Next-generation high bandwidth fiber-optic gateways • Automotive AI image sensors • V2X communications modules

5.1.2. Industry Overview

■ Industry development trends and current market status

WNC has historically paid great attention to industry trends in wireless technology across a range of frequency bands, and has cultivated professional competencies in high-speed wireline networks and future communications technologies over time. Implementation of next-generation network frameworks will drive a new wave of market growth, as exemplified in the following sections:

For smart internet applications in the home, as of Q2 2018, there were close to a billion households with wired broadband. Of these households, more than 50% use fiber-optic broadband, and this percentage is continuing to rise. In North America, the deployment of coaxial cable broadband is the main driving force in the market, whereas the European market is seeing the continued deployment of Fiber-to-the-home (FTTH). Fiber-optic and Coaxial cable broadband are increasing global network speeds, which in turn is accelerating the upgrade of internet infrastructure and creating demand for high-bandwidth LAN in the home. These deployments are also paving the way for next-generation mobile wireless communication technologies, where the integration of wireline and wireless connectivity will further improve Internet services. Smart home applications made possible by integrating home Wi-Fi meshes, continually improving AI algorithms, and voice assistants such as Google Assistant or Amazon Alexa have brought greater convenience and added variety to people's lives.

For next-generation mobile communications, after many years of development, 4G transmission speed has increased from LTE Cat. 4 to LTE Cat. 20, matching current fiber-optic speeds. Telecommunications companies around the world are investing heavily in next-generation 5G mobile networks due to its extremely low latency and low power consumption characteristics, and wireless internet is gradually replacing wired internet, just as fiber-optics gradually replaced copper wiring. 5G services were officially introduced in the United States in 2018, further accelerating the implementation of 5G mobile broadband. Japan has announced that it will officially deploy 5G at the 2020 Tokyo Olympics, marking a seismic framework shift in communications networks. Additionally, 5G is vital for automotive communications, which require extremely low-latency connectivity and integration of various sensors based on radar, camera, lidar, and other technologies. Modern connected devices need to process much more data in a shorter period of time than in the past, which highlights the importance of AI-assisted data screening. The edge computing capabilities of GPUs, TPUs, and other high-speed processing units combined with deep learning algorithms, will truly showcase the capabilities of next-generation networks and create many new business opportunities for the market.

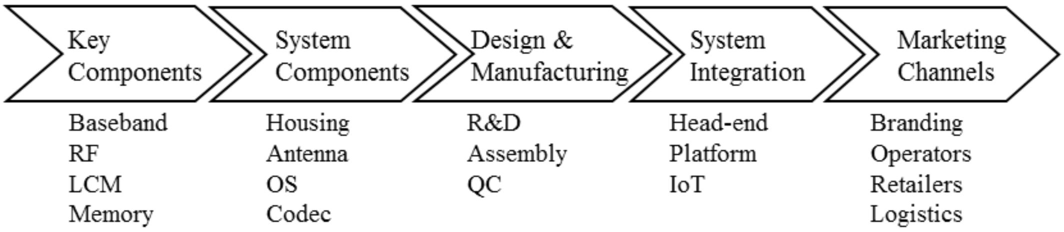
In recent years, the automotive sector has become a hot market for the electronics industry. According to a report published by TSR, a marketing research company in Japan, about 30% of cars have internet connectivity as standard equipment in 2018/2019, and more than half of new cars produced in 2023 will have internet connectivity as standard equipment. In the future, Telematics Service Providers (TSPs) will bring about new IoV services, such as car control, parking space searching, real-time traffic monitoring and route planning, rental car sharing, voice-controlled automotive entertainment systems, and better automotive safety and driving assistance systems. The maturation of voice-control devices will allow them to proliferate from the general consumer market to the automotive industry. In connected vehicles, voice-control will allow drivers and passengers to have more intuitive control of automotive entertainment systems. Smart home services may also be integrated into such systems. Development of V2X technologies such as DSRC and C-V2X has proceeded steadily, and upstream chip vendors have provided more comprehensive solutions in 2018, releasing V2X-capable automotive products and roadside equipment. V2X technologies, integrated into ADAS systems, have become standard equipment in some cars on the U.S. automotive market, filling the gaps which standard sensors cannot cover and providing drivers with more safety information such as upcoming traffic conditions. The V2X market is expected to grow significantly. This technology will benefit all who use roads and reduce the number of traffic accidents. Sensor fusion and the integration of V2X with ADAS are key for cars to achieve Level 4 autonomous driving.

According to a report published by IDC, global IoT spending will grow to US$1.0503 trillion in 2022 for a CAGR of 13.2%, mainly in the areas of production line management, smart home applications, and shipment monitoring. The U.S. will account for 25.2% of global IoT spending in 2022, with China coming in second at 24.3%. Hardware spending in IoT will primarily be for infrastructure, with demand for LPWAN connectivity technologies such as NB-IoT and Cat-M growing rapidly. In software, many enterprises have started to use customized open source software platforms to reduce software costs.

In e-commerce, the IoT is used to provide service platforms, establish ecosystems, and create customized modules. The integration of AI and the IoT (AIoT) will lead to rapid growth for the IoT market and create new business services. The incorporation of AIoT in the cloud, end devices, and the Internet in 2018 has led to the integration of voice-control and visual identification in many consumer products, turning them into smart end devices. In the future, other home appliances and end devices are expected to become AIoT devices. AIoT will also reduce costs and enable more flexible production for the Industrial IoT, allow it to better adapt to rapidly changing markets. It is predicted that 5G will lead to faster growth for the IoT.

■ 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 antiquated boundaries between specialized divisions and within vertically integrated structures are becoming blurred as the complexity of products increases.



■ Product development trends

• Popularization of voice control

Amazon Alexa, Google Assistant, and Apple Siri are currently the three most popular voice assistants. They have pushed many makers to improve the voice control functionality of their digital applications, and their influence has expanded from personal and family products to the automotive and industrial sectors. IoT products are improving rapidly in connectivity, processing and human-machine interaction, and their smart, personalized self-learning capability. Alongside comprehensive platform services and analysis functions, they will facilitate fully functional smart living. A rapidly growing market of voice-controlled devices is expected to play an important role in the networks of the future.

• Upgrades in wireless bandwidth

With the maturation of online streaming and extended reality (XR), there is growing demand for convenient, high-bandwidth wireless connectivity. Such demand has led to the fast growth of 802.11ad, 802.11ax, Mesh, 5G, and other high-bandwidth wireless communications technologies. 5G will be a key technology in the next decade, because it can bring about a world where everything is connected. According to a report, there were 5.3 billion mobile end devices in 2010, and this number will grow to 10.7 billion in 2020 and 17 billion in 2030. In China alone, the monthly network traffic of mobile users is projected to be 130 times higher in 2030 compared to 2010, presenting gigantic growth in the economy of scale. Since different wireless communications technologies have different characteristics, more diverse antenna design capabilities, more precise manufacturing, and more flexible production resource allocation will be required. These capabilities will be the keys to success in the upcoming connectivity revolution.

- Commercialization of AI

In 2017, AlphaGo, a computer program developed by Google, achieved a decisive victory over one of the highest ranked professional Go players in the world. Later on, through self-learning, AlphaZero achieved Go skills that no human has ever achieved. In the span of a few years, AI has achieved exponential growth, and its self-learning processes and convolutional neural networks are being implemented in the industrial sector, transportation, IoT analysis, and other big data applications. In the future, we hope that the varied infrastructure supporting our daily lives will all have self-learning, self-adapting, and self-adjusting capabilities. The realization of such capabilities will rely on software development capabilities, and will pose a great challenge to network reliability. Striking a balance between cloud and edge computing will be key in determining whether AI services will be successful.

- Virtualization of network architecture

The disruptive technologies and developments mentioned above are all closely linked to the Internet. Without the Internet, it would have been difficult to develop technologies such as voice services, wireless broadband, and AI. Because many things depend on the Internet, a lot of stress has been placed on network backbones around the world, and has brought people's attention to SDN/NFV and other network virtualization technologies. The implementation of virtualization technology has grown from massive data centers to include various network service platforms. Virtualization is seen as the solution that can meet the bandwidth demand in the 5G age. Using virtualization technology as a foundation enables more flexible network transfer speed control, allowing for a variety of new applications to be developed. Virtualization will make network equipment lighter, more convenient to use, more flexible, and more compatible. It will also make them easier to organize, set up, and manage. The standardization of network equipment marks an expansion in scope, and will bring about significant changes. The age of a ubiquitous Internet is no longer a distant dream. It is imminent.

- Product competition conditions

With the development of IoT, big data, AI, and new network applications, the demand for network products is rapidly increasing, related technologies are continuously being upgraded, and more and more peer manufacturers are flocking to new business opportunities. Nevertheless, compared to ordinary wired network products, wireless communication products possess higher technical requirements for wireless RF, antenna design, and network access verification. To fulfill an IoT project-type market that often requires diverse products requested in small quantities, within multi-element applications fields, and with high levels of customization, only manufacturers with deep experience in wireless product design and the capacity for efficient design, effective verification, and scalable mass production can occupy crucially advantageous positions in the new market.

Besides, as cost increases for manufacturing and raw materials, manufacturers can only obtain price advantages in mass procurement by efficiently utilizing automated flexible production and by avoiding overly diversified raw material parts in their designs; this has become a crucial element for success in the manufacturing industry. Chips as raw materials, due to the integration trend, are also experiencing intensified market competition. Thus one of the main factors for achieving success is determining how to maintain efficient competitiveness in emergent supply chains, while obtaining direct technical support from the chip suppliers. All in all, only technology leaders that have firm control over these supply chains and any technical improvements therein, and effectively leverage their interactions can widen the gap between themselves and their peers in this fiercely competitive arena, maintain their advantages, and provide customers with superior products and services.

5.1.3. Technology Research and Development

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

Unit: Thousand NT$

Year	2018	Jan. 1, 2019–Mar. 31, 2019
Research and development expenditures	2,196,513	599,823
Percentage of total revenue	3.92%	4.40%

Successfully developed technologies or products in 2018

Category	Technology or product
Satellite communications product series	• Satellite communications transmission equipment • 4K/8K high-definition satellite digital signal receivers • Lightweight high-frequency satellite two-way communications receivers
Mobile and home communications product series	• Smart-home voice-controlled network receiving equipment • 802.11ax mesh routers • LTE Cat. 20 high-end mobile broadband sharing routers • C-V2X communications devices • Next-generation mmWave mobile broadband receivers
Other wireless products	• Miniaturized high-frequency forward collision warning automotive radar devices • Bluetooth® personnel/asset tracking devices • 802.11ad outdoor long-range high-frequency communications equipment • IoT RFID gate reader

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

Category	Marketing strategy	Operations management
Short-term business development plans	Focusing on technology-oriented ODM/JDM services, WNC sets short-term goals to fully understand and cooperate with all major service operators, channel operators and branding companies in corresponding sales regions, and to improve its interaction with distributors, aiming to establish integrated marketing channels.	• 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. • 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.
Long-term business development plans	WNC plans long-term marketing strategies to strengthen current customer relationships and broaden its 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.	• 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. • 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. • Proactively Establishing Economies of Scale By proactively developing new customers and product lines to realize the effects of economies of scale, and 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. • Operational Scale in Cooperation with Financial Policy (1) Establish and integrate domestic and overseas productivity according to operational needs. (2) Enhance asset and liability management capability, maintain reasonable cash conversion cycles, and provide a healthy financial structure.

5.2. Market and Sales Overview

5.2.1. Market Analysis

Geographic distribution of major product markets

Unit: Thousand NT$

Area	Year	2017		2018	
		Amount	Percentage of revenue	Amount	Percentage of revenue
Export sales	Americas	29,148,043	51.24%	30,392,639	54.22%
	Asia	14,453,644	25.41%	13,058,130	23.30%
	Europe	9,895,095	17.39%	10,263,783	18.31%
	Others	61,673	0.10%	119,835	0.22%
	Total	53,558,455	94.14%	53,834,387	96.05%
Domestic sales		3,331,339	5.86%	2,215,289	3.95%

Market share

WNC has been operating with integrity in the satellite market for 20 years and is the world-leading supplier for satellite receiving equipment. With the saturation of the global satellite TV market, satellite TV operators around the world are diversifying their services to better serve their customers. Therefore, integrating satellite and Internet communications to provide customers with better overall products is a main reason why WNC has maintained its leading market share. In addition, WNC has captured 80% of the market share in automotive satellite radio products, and this share is still growing. Currently, the automotive satellite market itself is still growing at a small but steady rate each year.

Regarding consumer wireless communications products, besides maintaining the highest market share of mobile-device antennas worldwide, WNC is also a major design and manufacturing supplier of enterprise-level wireless devices globally, as well as the first company to release enterprise-level IEEE 802.11ax products, indicating that WNC's technological capability and product quality is continuously recognized by customers from each industry. In the future, WNC will continue to follow its core values to serve its customers.

Future market status and growth potential

Upgrades to the Internet bring about new applications, which in turn lead to the development of various new technologies. Then, as the new technologies are commercialized, the Internet requires more upgrades, forming a never-ending cycle of technological advancements. As we progress toward the goal of a completely wireless world, wireless technologies have developed from one-way control to two-way communications tools. In the future, wireless power/energy transfer will free human creativity from the constraints of power cables, leading to major advancements in product design. As a leader in wireless communications, WNC has always believed that wireless technology development is a never-ending journey. Just as athletes always strive to become faster and stronger, companies are continually working to increase the transmission speed/distance and lower the power consumption of wireless technologies. Through this process, we have learned how to overcome environmental, physical, and cost limitations to painstakingly craft our products. In today's overly saturated consumer electronics market, products need to become more refined to remain competitive. Service suppliers, brand companies, and system integrators are starting to emphasize ease-of-use, aesthetics, and low power consumption, because in today's world, electronics products not only need functionality, but also need to focus on various design aspects and find a balance within limitations. In the age of integration, the only companies that can survive are those who have mastered diverse technologies and have extensive experience in development. WNC has a solid foundation in wireless communications technologies, and our software development and system integration capabilities are core competencies that our customers rely on. These unique traits and our know-how are the reasons that WNC is continuing to grow and thrive today.

Competitive Advantages

■ Competitive advantages of WNC

- 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 enhance our competitive advantages. The management team at WNC leads the company toward its customer satisfaction goals through a company culture of fundamentals advocacy, teamwork cohesion, customer focus, and value creation.

- 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 is also able to provide complete technical services including product conception, design, verification, production, and logistics.

- Comprehensive quality management systems

WNC devotes itself to product and service quality and efficiency and has continually made improvements to its management systems. The management system certifications that WNC has obtained include: Quality-related certifications such as ISO 9001:2015, IATF 16949:2016, TL9000-H R5.5/M5.0, ANSI/ESD S20.20:2014, and ISO/IEC 17025:2005; green product certifications such as IECQ QC 080000, SONY Green Partner, and FSC® Chain-of-Custody; ESH-related certifications such as ISO 14001:2015, ISO 14064-1:2006, OHSAS 18001:2007, CNS 15506:2011, and ISO 50001:2011; and information safety-related certifications such as ISO/IEC 27001:2013 and AEO. WNC 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 established a complete customer advisory system and after-sales service to enhance customer satisfaction and maintain long-term partnerships.

- Lean cost control mechanism

Market size and the total number of satellite communication and mobile communication applications are continuously growing, and WNC is always able to maintain its advantage by maintaining competitive economies of scale. By its lean cost-control mechanism, WNC not only assures the company’s steady profit-making capabilities but also continuously improves the company’s total operational performance.

Future development factors and strategies in response

Type	Description
Favorable factors	● Innovation in high-speed network infrastructure After years of development, business models based on cloud applications have become generally acceptable by the market. Many key applications and daily operations run on a cloud platform as a widely integrated interface, enhancing the resource allocation and integration of enterprises at different locations and in different situations. Under this highly decentralized and differentiated service architecture, innovation in network equipment, and the planning for suitable high-speed networking in conjunction with a virtualized architecture, will be a new frontier over which a variety of manufacturers will compete in the future. Diverse integrated network equipment and terminal devices will bring enormous opportunities for the market. ● Increasing demand for smart products Smart products have existed in the consumer market for some time, but in recent years, advancements in AI have boosted the value of such products. Increasingly advanced algorithms and deep learning provided by big data analysis have helped smart products become more personable and better able to adapt to different usage scenarios. However, with convenience comes new issues. Increased bandwidth loading, increased network latency, and security concerns are all issues that need to be quickly addressed. Thus, it is necessary to properly allocate the processing resources of smart products so that time-critical data that requires secure transfer is transmitted by the quickest and most secure method, and that this data is transferred back on a secure and stable network to enhance the overall user experience of smart products. These requirements have previously and repeatedly been discussed during the development of autonomous vehicles. Developers and manufacturers of smart products will create many new opportunities and face many new challenges.

Type	Description	Response measures
Unfavorable factors	● 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 their overseas counterparts.	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 slow economic growth in the West and thus enhance software development capabilities for consumer electronics products.
	● Operational costs have increased Labor costs in mainland China are continuously rising due to local regulations, and it has placed great pressure on the entire manufacturing industry regarding the cost of materials and manufacturing. Dramatic fluctuations in currency exchange rates had considerable effect 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.	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.
	● 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.	The finance units must focus on changes in exchange rates and the demand for capital at all times and take all necessary measures to mitigate risks.

5.2.2. Primary Applications of Major Products and Production Processes

Primary Applications

Type	Functions and features of products	Main applications
Satellite communications product series	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide any form of wireless communication service without geographical limits. Satellite communications offer high quality and large capacity transmissions utilizing microwave bands in addition to other frequency bands. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	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.
Mobile and home communications product series	WLAN Networks: 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 greater bandwidth, wider coverage, and lower power consumption. It has evolved from the 2G and 2.5G standards (which focused on voice communication) into the HSPA protocol that focuses on data services. The following generation of mobile broadband defined by LTE and LTE-A through OFDM technologies has also developed rapidly. With the increasing deployment of LTE-A and next generation 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.	WLAN Networks: The main applications of cellular network communication standards are voice and text communications and limited network services. With the finalization of 5G standards and 5G commercialization, all industries involved are expected to develop at a rapid pace. This development will bring an improved user experience with high-speed wireless broadband, bring major enhancements to the IoT infrastructure, and may also form a new industry structure and generate competition through highly integrated terminal devices, thus revolutionizing the entire telecom industry.
	Broadband Networks (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 others complying to the same standard. A local area network can be established using several compatible communication devices that comply with IEEE 802.11 standards.	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.

Production Process

1. Incoming Material Inspection
2. Qualifying and Warehousing
3. Material Distribution by Manufacture Order
4. Pre-Processing

1. Testing
2. Welding
3. Finished Goods Assembly
4. Finished Goods Testing

1. Finished Goods Inspection
2. Packaging
3. Shipping Inspection
4. Warehousing

5.2.3. 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 with the supply of raw materials and components.

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

Key Buyers

Unit: Thousand NT$

Item	2017				2018				Jan. 1, 2019–Mar. 31, 2019			
	From (Note)	Amount	Percentage of total net sales (%)	Relation-ship with WNC	From (Note)	Amount	Percentage of total net sales (%)	Relation-ship with WNC	From (Note)	Amount	Percentage of total net sales (%)	Relation-ship with WNC
1	Buyer A	5,863,059	10	-	Buyer A	1,745,233	3	-	Buyer A	250,410	2	-
2	Others	51,026,735	90	-	Others	54,304,443	97	-	Others	13,394,630	98	-
	Total	56,889,794	100	-	Total	56,049,676	100	-	Total	13,645,040	100	-

Reasons for changes: Primarily in response to buyers' operational needs.

Note: A code can be used to represent a buyer 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.

Key Suppliers: None

5.2.5. Production Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production / Major product	2017			2018		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless communications products	327,300,000	326,853,511	51,816,960	332,000,000	330,431,921	55,369,855

Note: WNC's major products are wireless communications products. The changes in capacity and quantity were primarily caused by changes in the product portfolio.

5.2.6. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Sales / Major Product	2017				2018			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless communi-cations products	19,091,904	3,072,974	249,270,611	51,939,636	15,648,762	1,918,118	244,501,917	52,176,715
Others	0	171,425	0	1,705,709	0	297,171	0	1,657,672
Total	19,091,904	3,244,399	249,270,611	53,645,395	15,648,762	2,215,289	244,501,917	53,834,387

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		2017	2018	Jan. 1, 2010– Mar. 31, 2019
Number of employees	Sales	348	339	372
	Research and development	1,025	1,113	1,137
	Manufacturing	1,117	1,041	1,098
	Administration	613	716	697
	Direct labor employee	6,385	6,703	6,628
	Total	9,488	9,912	9,932
Average age		30.2	33.49	32.75
Average years of service		2.68	4.2	3.8
Education	PhD (%)	0.36%	0.38%	0.39%
	Master's (%)	10.09%	10.70%	11.24%
	Bachelor's (%)	26.09%	33.02%	33.61%
	Others (%)	63.45%	55.89%	54.76%

5.4. Environmental Protection Measures

In our technology-intensive industry, WNC's main manufacturing processes cover the fields of SMT, precision assembly, product testing, and technical development. These processes produce little pollution. Although WNC is not included in the industries that are regulated for waste emission control by the Environmental Protection Administration (EPA) according to relevant stipulations, WNC is taking the initiative to improve our environmental protection measures. WNC utilizes appropriate equipment to process waste gas produced during manufacture to reduce environmental impact, and arranges for testing at a fixed interval to detect waste gas density in order to ensure our processing efficiency. In managing waste materials, WNC has entrusted qualified suppliers that are recognized by the EPA to conduct waste clearance and processing, and to file declarations electronically in accordance with the relevant legal stipulations. In addition, we have made arrangements for our suppliers to conduct on-site audits at a fixed interval to ensure the process flows and the suppliers' processing methods are in compliance with relevant regulations to prevent pollution-related issues from arising. WNC has been certificated based on the ISO 14001 environmental management system since 2005, and has been conducting systematic management to ensure full implementation of operational policy and its continuous improvement. WNC successfully obtained the ISO 14001:2015 certificate in November 2017 and passed third party verification in October 2018 to maintain the validity of the certificate.

To enhance corporate social responsibility and strive for environmental sustainability, WNC has in-plant energy-saving, carbon reduction, and waste reduction plans designed to promote illumination energy conservation, rainwater recycling, and reuse of waste in our factories and their vicinity. Further, a plan to construct solar panels at different sites was launched in 2017, and green electricity was officially adopted in December 2017 in the WNC headquarters. Solar panels were also installed in S1 as planned and became operational in 2018. In 2018, we purchased the S2 plant, where solar panels were also installed. Currently, all WNC sites in Taiwan have adopted green electricity.

Following the introduction of the ISO50001 energy management system in 2017, WNC worked with ITRI in the development of an energy management platform in 2018. Energy baselines are established through data collection and modular computing, which enables real-time monitoring of energy use. The system automatically distributes energy and resource usage reports, assisting monitoring and management by the responsible units so that abnormalities can be detected at an early stage. Focus is placed on high-power consumption units and equipment, enabling management to reduce consumption and waste and to achieve energy conservation, carbon reduction, and reduce impact on the environment.

In order to control the company's greenhouse gas emissions in a more precise manner, WNC proactively participated in the GHG inventory counseling program organized by the Hsinchu Science Park Bureau in June 2018, in which the Taiwan Green Productivity Foundation offered guidance on the establishment of a management system. The system was introduced in September 2018, offering comprehensive identification of sources of carbon emissions and calculating the carbon dioxide equivalent of different plants, which can be used as the basis for the subsequent formulation of carbon reduction measures.

5.4.1. Total losses (including compensation) and fines for environmental pollution in the most recent fiscal year and 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 nor losses incurred.

5.4.2. Countermeasures and possible expenses in the future:

WNC is striving to contribute to environmental sustainability and is accordingly moving towards a goal of having green plants. We established multiple in-plant energy-saving, carbon-reduction, and waste reduction projects in 2018 and will make every effort towards their continuing implementation in 2019. To fulfill the global carbon reduction target as early as we can, WNC will proactively implement the ISO 14064 greenhouse gas inventory management system verification in 2019 to quantify the carbon emissions of the sites and facilitate measures in response to policies on carbon tax and carbon rights promoted by the international community and governments.

5.5. Labor Relations

5.5.1. Benefits, continuing education, training, and pension systems for employees and their implementation status, as well as labor agreements and various measures that protect employee rights:

■ Employee benefits:

- Taiwanese sites:

  Employees at Taiwanese sites have labor insurance and National Health Insurance as required by law. In accordance with related laws, the Employee Welfare Committee handles items related to employee welfare, such as distributing welfare funds in accordance with regulations and organizing activities and gatherings for employees. Other employee benefits include childbirth subsidies, wedding cash gifts, funeral subsidies, and birthday/holiday gifts. Employee recreation centers, reading rooms, health centers, massage services, lactation rooms, and designated parking spaces for women, including pregnant women, are also available at WNC's Taiwanese sites.

- Subsidiaries in China:

  Employees at WNC's subsidiaries in China have endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and a housing provident fund (collectively called the "Five Insurances and One Fund" in China), as well as accident insurance. A union and an employee meal service committee have been established, and events such as dinner gatherings and arts/outdoor activities are held for employees. Other benefits include childbirth subsidies, holiday gifts, and raffle drawings. There are also employee recreation centers and reading rooms.

■ Employee education and training:

Classroom-based courses and the eHRD online learning system provide WNC employees with convenient learning channels that enable busy employees to arrange classes that fit their schedules, thus improving flexibility and learning efficiency. To ensure class quality, after-class surveys are conducted to ascertain employees' understanding of the classes, assess the teaching skills of instructors, and seek advice on how to improve future courses.

WNC also encourages employees to participate in external training, including conferences, seminars, and professional training and education courses, to broaden the scope of occupational training. Subsidies are provided for employees taking such training.

Through the establishment of a comprehensive internal instructor system, WNC is able to quickly cultivate the talent it needs and to implement training in the form of work cases for employees to share and discuss. This allows employees to quickly learn skills that they can apply to their work, which in turn deepens their occupational competency and establishes the talent and teams that WNC requires.

WNC has always placed great emphasis on providing employees with training on professional skills and knowledge, management skills, company culture, and related items. Five WNC colleges have been set up for the planning and implementation of employee training in accordance with WNC's 2018 directives. The directors of each college are responsible for the training programs, class quality, and training efficacy of their college. In 2018, the amount of time spent on training employees at Taiwanese sites was 46,417 hours, of which 45,258 hours were spent on IDL employee training and 1,159 hours were spent on DL employee training. A total of 1,802 IDL employees and 1,356 DL employees underwent training during the year. Joint classes were held with academia, other companies in the industry, and suppliers, and the professionalism of the courses was lauded by employees. Recurrent training was also arranged so employees could review what they had learned and enhance their learning and growth.

Areas of emphasis for WNC colleges in 2018:

- Management College

  The Management College focuses on the cultivation of management skills for supervisors. Courses are established in accordance with the management responsibilities of supervisors at various levels, and their content includes the cultivation of managerial, leadership, motivational, training, self-growth, and other skills required of supervisors and key talent, as well as the cultivation of comprehensive business management skills for mid- to high-level supervisors. In 2018, the Management College organized a total of 23 courses aimed at improving the management capabilities of supervisors at various levels and providing targeted training for specific personnel.

- Marketing College:

  In accordance with WNC's operational directives and global trends, the Marketing College's courses focus on project management, the job duties of sales personnel, and professional knowledge, aiming to cultivate talented marketing and sales personnel by instilling knowledge regarding project management, cost control, industry trends, market data, customer analysis, briefing/communication skills, conference skills, international trade, customer management, and other service skills. In 2018, the Marketing College organized a total of 12 courses. High-level supervisors were invited to share their successful strategies and experiences in interacting with customers. Through such sharing and interaction, employees can learn from each other and grow as a whole.

- Research and Development (R&D) College:
  Besides implementing basic R&D course training, the R&D College has, in accordance with WNC's R&D directives, divided R&D into six primary areas, established an R&D forum, and introduced new R&D methods to enrich the knowledge of R&D personnel and stimulate innovation. The WNC RD Forum (WRDF), established in 2011, has fostered cross-disciplinary technology exchanges and learning, enabling R&D personnel from different fields to obtain a more comprehensive perspective and share design ideas regarding innovation and R&D. A chairman from each area participates in course planning. Through industry-academia cooperation, outside experts are invited to serve as instructors and to help continuously build employees' technological knowledge and expertise. In 2018, the college organized 36 courses, including professional courses in various technical fields.
- Manufacturing Quality College:
  The goals of the Manufacturing Quality College are to help implement WNC policies related to quality and provide customers with high quality, competitive products. The college provides courses on 6 Sigma, manufacturing processes, green product design, quality systems, equipment, and problem analysis/solving, as well as courses regarding training for, and application of ISO/IATF 16949, IECQ QC080000, TL9000, and other quality standards. All new employees participate in ANSI/ESD training courses. This college also conducts annual recurrent training and internal ANSI/ESD auditor training. In 2018, the Manufacturing Quality College organized 28 courses.
- General Knowledge College:
  During their probation period, new employees take a total of 18 mandatory e-learning courses to enable them to quickly understand WNC's culture, work environment, information safety (ISO27001), and system operation methods, as well as to enhance their work efficiency and self-management capability. The college also formulates and administers training courses in accordance with occupational safety regulations, and organizes many occupational safety and health competency and skills training courses to enhance the occupational safety and environmental awareness of employees. Company-wide classes on environmental protection were added in 2018 to improve the environmental awareness of employees. In 2018, the General Knowledge College organized 27 courses, including courses on operational safety, occupational disease prevention, emergency response drills, environmental protection education, teamwork, project management, and more. Training was also provided to mentors of new employees to give mentoring tips, teach them how to better understand new employees, and how to assist new employees adapt to their work environment and become a part of the WNC family.

■ Pension system:
For the benefit of employees after their retirement, WNC's Taiwanese sites have established regulations regarding employee retirement in accordance with the Labor Standards Act and the Labor Pension Act. These regulations cover retirement conditions, payment standards, procedures used to apply for pensions, and the payment of pensions. Besides providing six percent of an employee's monthly wage as pension for eligible employees as per the Labor Pension Act, WNC has also established the Employee Pension Supervisory Committee to oversee the employees' pension fund in accordance with law. This committee allocates pension preparation funds monthly according to our regulations on the appropriation and management of employee pensions, and deposits funds at a designated financial agency, in an account under the name of the Employee Pension Supervisory Committee. WNC's subsidiaries in China provide 20% of an employee's monthly wage each month as pension for eligible employees as per related labor and social insurance laws of the People's Republic of China.

■ Labor agreements:
WNC's Taiwanese sites: Labor management and Employee Representative Committee meetings are held regularly to communicate and coordinate items related to labor-management cooperation, improve measures that protect employee rights, and review/enhance labor relations. For WNC's subsidiaries in China, meetings between high-level supervisors and employees are arranged regularly to communicate and coordinate labor-management cooperation and other items related to the enhancement of employee rights.

5.5.2. Losses due to labor dispute in the past year and up to when the annual report is published: N/A

5.5.3. Possible current and future estimated monetary amounts and countermeasures: N/A

5.5.4. WNC has established various rules and regulations regarding employee behavior and ethics and expects employees to understand the moral and ethical standards they must uphold in their work as well as their rights and duties. The rules and regulations are as follows:

- WNC's 10 beliefs and 10 principles: Since its establishment, WNC has been very active in cultivating its company culture. The 10 beliefs and 10 principles have thus been established for all employees to follow.
- Service principles in work regulations: Employees shall comply with the service principles stated in WNC work regulations, including principles related to company honor, team spirit, and loyalty, to enable us to gain the respect and trust of customers, suppliers, and industry players.
- WNC Employment Regulations: Principles regarding human resource management and employee behavior are explicitly stated and listed in WNC's work regulations.
- Chart detailing hierarchical human resource management responsibilities: This chart stipulates the authorization levels for various levels of management in WNC regarding issues related to human resources.
- Measures for the Prevention and Punishment of Sexual Harassment in the Workplace: These regulations have been established to prevent sexual harassment, protect the dignity of employees, and ensure workplace equality.
- Employee leave regulations: These regulations include descriptions and related rules regarding various types of employee leave.
- Regulations for governing employee overtime work and compensatory leave: These regulations list the definitions of overtime work and compensatory leave, how the hours for such work and leave are calculated, and how to apply for overtime work or compensatory leave.
- Implementation measures for annual leave: These measures state the method by which special leave days are calculated, how unused annual leave is handled, and other related regulations.
- Employee performance evaluation regulations: These regulations detail the procedures for employee performance/goal management and performance evaluation. The results of performance evaluations will be used as a basis for promotions, salary raises, bonuses, and employee training/development. The results will also be used to demonstrate what is expected of employees.
- Procedures for evaluating employees during their probation period: These procedures are used to evaluate new employees to ascertain whether their performance (including behavior) meet WNC requirements. The results of these evaluations are used to decide whether employees meet the standards of official employees.
- Regulations governing the posting of announcements on the WNC website and employee Internet usage: These regulations provide a set of rules for the posting of announcements on the WNC website and employee Internet usage to prevent misuse of network resources and ensure work discipline.
- Procedures governing employee awards and punishments / Procedures governing DL employee awards and punishments regarding quality and discipline: These procedures list the standards and processes for employee awards/punishments.
- Regulations governing employee resignation procedures: These regulations stipulate how employees, supervisors, and HR personnel in charge of handling resignation shall handle the resignation process.
- Regulations governing employee shifts and job changes: These regulations stipulate how employees, supervisors, and HR personnel in charge of handling job assignments shall establish employee shift schedules and handle procedures related to internal job changes.
- Code of Ethical Conduct: The WNC ethical behavior code of conduct helps ensure that employee behavior complies with ethical standards and enables stakeholders to better understand WNC's ethical standards.

5.5.5. WNC has adopted the measures below to provide a safe work environment and ensure employee safety:

- ESH principles: WNC has announced ESH policies and established ESH management rules which provide employees with a point of reference regarding ESH compliance and management, demonstrating WNC's strong emphasis on ESH principles.
- ESH units: The unit responsible for safety and health operations in WNC sites is a top-tier unit. In accordance with regulations, the unit has an occupational safety and health supervisor as well as occupational safety and health management personnel. The unit also includes special operations personnel, including a production process supervisor, who ensure work safety is maintained in operation areas in order to protect the health and safety of personnel.
- Management systems: WNC regularly conducts checks to ensure that it is in compliance with the ISO 14001 environmental management system standard, OHSAS 18001 occupational health and safety management system standard, and the CNS 15506 occupational health and safety management standards.
  - WNC has established an ESH management system committee, with the WNC Chairman serving as the Chairperson and the heads of WNC's Business Groups and Business Units serving as committee members. The committee convenes management and review meetings regularly to ensure that WNC's ESH management systems retain their effectiveness and suitability and are continually improved.
  - WNC conducts regular assessments of domestic and international occupational safety and health regulations as well as the requirements of stakeholders to ensure WNC is compliant with relevant requirements.
  - WNC conducts annual internal and external audits and regularly organizes training for its internal audit personnel (including initial and recurrent training). Reviews on the teamwork operations of ESH management systems are conducted, and improvements to this aspect are constantly made.
  - ESH management performance indicators (including management plans) are established to regularly review the implementation and effectiveness of ESH management systems.
  - WNC conducts assessments of environmental protection factors and occupational safety and health risks and also implements management and control of pollutants according to their characteristics and risk level to effectively reduce environmental pollution and the safety and health risks for employees.
  - Emphasizing communication between internal/external units is beneficial for the implementation of various ESH items and establishing good relationships with other companies near WNC.
  - WNC is continually and actively implementing employee health management, health promotion, and occupational disease prevention plans, as well as annually monitoring the work environment to protect the safety and health of its employees.
- In accordance with regulations, WNC employs qualified and licensed personnel particular to each task, and also provides the following education and training:
  - Safety and health education and training for new employees.
  - Safety and health education and training for all WNC employees.
  - Training and establishing one qualified first aider for every 50 employees.
  - In accordance with regulations, WNC provides regular on-the-job training to licensed personnel responsible for special tasks, such as fire prevention management personnel, supervisors for operations involving organic solvents, personnel in charge of operations involving radiation, operators of equipment involving high pressure gases, and forklift operators. The training provided will be adjusted to fit the job requirements of different tasks.
- Firefighting equipment safety:
  - WNC has established a comprehensive firefighting system, which includes alarm systems, escape tools, and firefighting equipment, in accordance with firefighting regulations.
  - Inspections on firefighting equipment are conducted monthly. In accordance with regulations, qualified personnel are commissioned to conduct annual maintenance of firefighting equipment, and the maintenance results are reported to the competent authority.
  - A monitoring and alarm system for high-temperature/hazardous equipment has been established to enable real-time monitoring of electrical usage risks in plants.
  - Team training exercises on firefighting and regional disaster response are held regularly, and training scenarios involving high-temperature/hazardous equipment have been added to improve the firefighting and emergency response capabilities of employees.
  - Buildings are inspected for public safety every two years, and inspection results are reported to the competent authority.
  - Control measures for hot work have been implemented.
  - WNC's participation in the civil defense force of the Hsinchu Science Park has enhanced its regional mobilization and response capabilities.

- WNC has established cooperative relations with clinics and neighboring companies to enhance emergency rescue capabilities, including a system for providing first aid to injured personnel and for securing their transportation to medical care facilities, in order to save lives and reduce property loss should a major disaster occur.

■ Employee health:

- New employees undergo physical examinations before they report to work.
- Physical examinations, including additional examination items for employees responsible for special tasks, are provided annually.
- Free influenza vaccinations are provided to employees annually.
- Quarterly health lectures are held to increase the health care knowledge of employees.
- Health promotion activities such as cancer screenings, hiking events, and weight-loss programs are held quarterly.
- Physicians make monthly visits to WNC, including on-site visits to operations sites, to provide services such as health consultation and employee reinstatement evaluation.
- The water quality of water dispensers is inspected every two months.
- Articles on health care and disease prevention information are posted on the WNC portal site for employee's reference.
- Inspections on special working areas are conducted every half year to check the levels of chemical substances, organic solvents, dust, and noise. Results of these inspections are provided to employees.

■ Mechanical equipment / personnel safety:

- To ensure that employees can quickly grasp operation procedures and to lower operational risks, protective devices are installed on all production-related equipment, safety SOPs are provided, and equipment operators are given education and training.
- Chemical storage rooms are established near production line areas to store chemical substances. Personal protective gear and other emergency equipment are provided to ensure operational safety and to handle chemical leakages.
- WNC contracts qualified vendors to conduct monthly maintenance of hazardous equipment and machinery at WNC sites. Maintenance records are archived, and annual inspections are conducted on the aforementioned hazardous equipment and machinery.
- Before contractors enter WNC sites, they are briefed on the hazards they may encounter as well as on safety and health/environmental protection regulations. Meetings with contractors are regularly held to keep them up to date with plant regulations. Contractors are required to sign the "Commitment to Work Safety for Contractors in the WNC Plant" and submit a work application to facilitate risk evaluation and preparation of protective measures. Additionally, WNC continues to provide supervisor education to enhance their knowledge on the safety and health management of work supervision and maintain on-site safety and health monitoring. Personnel from the Industrial Safety Department of WNC will conduct an inspection of work sites from time to time to manage and control worksite safety and health.
- Inspections of production equipment/facilities and the work environment is conducted regularly to ensure operational safety.
- To prevent occupational accidents from occurring, equipment at WNC sites is continually improved to eliminate potential dangers.
- Management of chemical substances and chemical accident prevention measures are continually improved to enhance the emergency response capabilities of employees.
- To protect the safety and health of employees, local exhaust systems are installed in special work areas that have quantifiable dust particles in the air, or involve the use of chemical substances and organic solvents. Protective equipment is provided for employees to use.
- Contractor operations management is continually being enhanced to reduce risk during construction and joint operations.
- Occupational safety and health training courses on various topics are held, and information on road traffic and operational safety is posted on internal websites to increase safety awareness and self-preservation of employees.
- WNC contracts qualified electrical technicians to conduct regular inspections on high- and low-voltage electrical equipment and perform IR scans on equipment at WNC sites.

■ Personnel safety control: WNC employees shall wear their ID badge when entering/exiting WNC sites. Security personnel are stationed at the primary entrances and exits of WNC sites. They are responsible for conducting security checks, ensuring employee safety, and protecting the security of WNC property.

- Food safety and sanitation:
  - WNC selects qualified catering companies to provide catering services at WNC canteens, and these companies are required to comply with laws and regulations related to food safety and sanitation.
  - Catering personnel shall undergo regular health examinations. Personnel who have contracted pulmonary tuberculosis, hepatitis, sexually transmitted diseases, and skin diseases that cause pus, or those that are carriers of contagious diseases such as typhoid fever, are prohibited from working as catering personnel.
  - WNC requires catering companies to use food ingredients that have passed inspections, and has compiled a key ingredients-vendor list. WNC also conducts audits on the food ingredients used in its canteens from time to time to ensure food safety.
  - WNC conducts monthly audits to check if the catering company's operations and the canteen kitchen's equipment meet safety and sanitation regulations.
- Environmental protection:
  - WNC maintains its environmental management systems to ensure compliance with ISO14001 standards, and continually makes improvements to these systems.
  - WNC commissions qualified inspection agencies to conduct tests on wastewater from everyday use, air pollutants, and waste to ensure that WNC is compliant with related regulations.
  - The waste-cleanup vendors contracted by WNC have all obtained permits from the Environmental Protection Administration. WNC also conducts audits of waste-cleanup vendors every two years to ensure that their operations comply with regulations.
  - WNC has set up suitable waste storage areas in accordance with regulations, and measures have been taken to prevent waste from leaking and polluting the environment.
  - At WNC, the reporting and handling of processes related to usage and cleanup of toxic substances and waste are conducted in accordance with regulations.
  - WNC promotes green products, has implemented lead-free processes, and has purchased instruments for the inspection of incoming materials in order to meet client requirements and RoHS standards as well as to enhance its green production capabilities.
  - Waste sorting and reduction as well as resource reuse management plans have been implemented at WNC.
  - WNC has implemented energy conservation measures and organized green activities to help it reach its carbon reduction goals and encourage employees to protect the environment.
  - To reduce waste, including plastic waste, reusable eating utensils are used in WNC canteens, and employees are encouraged to use reusable bags and cups.
  - WNC organizes large-scale activities with environmental protection in mind. These activities provide examples for reducing carbon emissions and production waste that WNC hopes others may find applicable.
  - WNC has adopted a policy which bans the use of conflict minerals in order to help protect human rights, reduce the impact on the global environment, and meet its global corporate social responsibility.
  - To reduce greenhouse gas emissions, WNC has incorporated environmentally-friendly designs and measures in its products, such as by reducing power consumption and packaging size.
  - WNC proactively participates in government and civil projects focused on environmental protection, such as energy conservation, greenhouse gas inventory reporting, leftover food reuse, and beach cleanup in order to fulfill its responsibility in environmental protection.
  - WNC is continually promoting environmental protection and enhancing the environmental awareness of its employees. It encourages its employees to promote a green corporate culture, reduce our impact on the environment, and help protect the Earth in their daily work and throughout their lives by taking actions such as digitizing operational processes, reducing the amount of leftover food, and using digitized media.

5.6. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Plant transaction	MOTECH INDUSTRIES INC	2018.10.29 to completion of the registration	Real estate transaction	Approval and documentation verification by the Science Park Bureau
Plant engineering	CHU YANG TECHNOLOGY ENGINEERING CO., LTD.	2018.11.15 to completion of final acceptance	Plant renovation	Acceptance and warranty clauses
Plant leasing	MITAC PRECISION TECHNOLOGY VIETNAM CO., LTD	2018.11.1 to 2023.10.31	Plant leasing	Legal use
Plant engineering	Best Sun Technology Limited	2018.11.1 to completion of final acceptance	Plant renovation and electronics engineering	Acceptance and warranty clauses
Authorization	MPEG LA, L.L.C.	2008.1.1 to 2023.12.31 (MPEG4.P2)	Patent licensing	Confidentiality clauses and authorization limits
	MPEG LA, L.L.C.	2014.10.26 to 2020.12.31 (HEVC)	Patent licensing	Confidentiality clauses and authorization limits
	HDMI Licensing L.L.C.	2008.3.18 to 2023.03.17	Patent licensing	Confidentiality clauses and authorization limits
	Dolby Laboratories Licensing Corporation	2015.7.14 to 2020.3.31	System licensing	Confidentiality clauses and authorization limits
	Via Licensing Corporation	2011.6.3 to 2021.6.2	Patent licensing	Confidentiality clauses and authorization limits
	Broadcom Corporation	2015.7.1 to termination from either side	Software licensing	Confidentiality clauses and liability limits
Plant maintenance	SINBON ELECTRONICS COMPANY LTD.	2017.9.1 to 2022.12.31	Solar photovoltaic (PV) system	Acceptance and warranty clauses

6 Financial Standing

6.1. Most Recent Five-Year Condensed Financial Information

6.1.1. Consolidated Financial Information

■ Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year		Most recent five-year financial information					Jan. 1, 2019– Mar. 31, 2019
		2014	2015	2016	2017	2018	
Current assets		17,821,608	20,621,683	22,718,403	23,448,048	25,793,877	24,291,596
Property, plant, and equipment		5,232,640	6,398,183	6,165,546	5,620,272	6,353,679	6,505,318
Intangible assets		59,682	56,773	40,914	49,557	224,088	254,787
Other assets		715,505	779,361	847,049	814,465	792,508	2,403,218
Total assets		23,829,435	27,856,000	29,771,912	29,932,342	33,164,152	33,454,919
Current liabilities	Before distribution	12,115,123	14,858,513	14,621,080	13,878,386	17,094,483	15,133,140
	After distribution	13,002,784	16,098,844	15,927,614	15,235,461	Note	Note
Non-current liabilities		478,814	605,028	1,982,192	1,832,317	220,458	1,829,275
Total liabilities	Before distribution	12,593,937	15,463,541	16,603,272	15,710,703	17,314,941	16,962,415
	After distribution	13,481,598	16,703,872	17,909,806	17,067,778	Note	Note
Equity attributable to parent’s shareholders		11,235,498	12,392,459	13,168,640	14,221,639	15,849,211	16,492,504
Capital stock		3,287,634	3,353,187	3,531,173	3,667,772	3,894,121	3,904,093
Capital surplus		2,369,650	2,369,850	2,835,611	3,059,564	4,013,683	4,169,271
Retained earnings	Before distribution	5,515,923	6,476,812	7,164,068	7,815,783	8,346,593	8,596,974
	After distribution	4,562,509	5,135,913	5,751,599	6,458,708	Note	Note
Other equity		62,291	192,610	(362,212)	(321,480)	(405,186)	(177,834)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	11,235,498	12,392,459	13,168,640	14,221,639	15,849,211	16,492,504
	After distribution	10,347,837	11,152,128	11,862,106	12,864,564	Note	Note

Source: Consolidated financial statements audited by a CPA; 1Q 2019 financial information reviewed by a CPA

Note: The resolution for earnings distribution for 2018 has not yet been approved at the Shareholders’ Meeting; the distribution numbers are not listed.

■ Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information					Jan. 1, 2019– Mar. 31, 2019
	2014	2015	2016	2017	2018	
Net operating revenues	40,326,918	52,183,218	52,779,497	56,889,794	56,049,676	13,645,040
Gross profit	5,420,254	6,930,899	7,315,631	7,624,996	7,112,667	1,510,194
Operating income	1,708,627	2,347,699	2,677,189	2,561,310	2,016,073	295,263
Non-operating income and expenses	71,562	201,932	(47,446)	129,324	209,513	25,416
Income before income tax	1,780,189	2,549,631	2,629,743	2,690,634	2,225,586	320,679
Continuing operations' profit for the period	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345	250,381
Losses from discontinued operations	-	-	-	-	-	-
Net income	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345	250,381
Other comprehensive income for the period (net after-tax)	144,625	(66,478)	(303,839)	(108,420)	(210,625)	286,654
Total comprehensive income for the period	1,521,013	1,906,030	1,738,761	1,955,270	1,718,720	537,035
Profit to parent's shareholders	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345	250,381
Profit to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	1,521,013	1,906,030	1,738,761	1,955,270	1,718,720	537,035
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS before adjusted (NT$)	4.28	5.97	5.95	5.76	5.21	0.65

Source: Consolidated financial statements audited by a CPA; 1Q 2019 financial information reviewed by a CPA

6.1.2. Parent-Company-Only Financial Information

■ Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year		Most recent five-year financial information				
		2014	2015	2016	2017	2018
Current assets		13,605,463	16,766,583	18,652,804	18,000,769	19,610,831
Property, plant, and equipment		2,291,171	2,837,649	3,301,377	3,219,239	4,351,194
Intangible assets		59,345	56,179	40,800	49,484	223,995
Other assets		5,484,430	5,701,877	6,177,635	6,563,629	7,235,636
Total assets		21,440,409	25,362,288	28,172,616	27,833,121	31,421,656
Current liabilities	Before distribution	9,726,097	12,364,801	13,021,784	11,779,165	15,351,987
	After distribution	10,613,758	13,605,132	14,328,318	13,136,240	Note
Non-current liabilities		478,814	605,028	1,982,192	1,832,317	220,458
Total liabilities	Before distribution	10,204,911	12,969,829	15,003,976	13,611,482	15,572,445
	After distribution	11,092,572	14,210,160	16,310,510	14,968,557	Note
Equity attributable to parent's shareholders		-	-	-	-	-
Capital stock		3,287,634	3,353,187	3,531,173	3,667,772	3,894,121
Capital surplus		2,369,650	2,369,850	2,835,611	3,059,564	4,013,683
Retained earnings	Before distribution	5,515,923	6,476,812	7,164,068	7,815,783	8,346,593
	After distribution	4,562,509	5,135,913	5,751,599	6,458,708	Note
Other equity		62,291	192,610	(362,212)	(321,480)	(405,186)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before distribution	11,235,498	12,392,459	13,168,640	14,221,639	15,849,211
	After distribution	10,347,837	11,152,128	11,862,106	12,864,564	Note

Source: Parent-company-only financial statements audited by a CPA

Note: The resolution for earnings distribution for 2018 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

■ Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information				
	2014	2015	2016	2017	2018
Net operating revenues	39,114,287	52,436,179	52,009,586	55,199,381	54,990,399
Gross profit	4,346,696	5,607,299	6,007,178	6,244,293	5,616,720
Operating income	1,384,525	1,887,661	2,217,721	2,034,102	1,432,790
Non-operating income and expenses	300,744	568,762	304,007	467,340	598,099
Income before income tax	1,685,269	2,456,423	2,521,728	2,501,442	2,030,889
Continuing operations' profit for the period	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345
Losses from discontinued operations	-	-	-	-	-
Net income	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345
Other comprehensive income for the period (net after-tax)	144,625	(66,478)	(303,839)	(108,420)	(94,368)
Total comprehensive income for the period	1,521,013	1,906,030	1,738,761	1,955,270	1,718,720
Profit to parent's shareholders	1,376,388	1,972,508	2,042,600	2,063,690	1,929,345
Total comprehensive income to parent's shareholders	1,521,013	1,906,030	1,738,761	1,955,270	1,718,720
EPS before adjusted (NT$)	4.28	5.97	5.95	5.76	5.21

Source: Parent-company-only 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
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
2017	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2018	KPMG	Hai-Ning Huang, Sing-Hai Wei	Unmodified opinion

6.2. Most Recent Five-Year Financial Analysis

6.2.1. Consolidated Financial Analysis

Item	Period	Most recent five-year financial information					Jan. 1, 2019– Mar. 31, 2019
		2014	2015	2016	2017	2018	
Financial ratio (%)	Total liabilities to total assets	52.85	55.51	55.77	52.49	52.21	50.70
	Long-term debts to property, plant, and equipment	214.72	193.69	235.97	273.92	249.45	253.52
Ability to pay off debt (%)	Current ratio	147.10	138.79	155.38	168.95	150.89	160.52
	Quick ratio	107.45	93.12	111.74	119.00	95.45	95.43
	Interest coverage ratio	36.54	92.72	55.75	36.25	28.13	12.60
Ability to operate	A/R turnover (times)	6.18	6.04	5.39	5.72	4.89	4.50
	A/R turnover days	59	60	68	64	75	81
	Inventory turnover (times)	9.18	8.19	7.13	7.65	6.20	5.20
	Average days to sell inventory	40	45	51	48	59	70
	Accounts payable turnover (times)	5.48	5.37	5.14	6.10	5.52	5.23
	Property, plant, and equipment turnover (times)	8.14	8.97	8.40	9.65	9.36	8.49
	Total assets turnover (times)	1.75	2.02	1.83	1.91	1.78	1.64
Earnings ability	Return on assets (%)	6.14	7.72	7.23	7.13	6.32	3.27
	Return on equity (%)	12.65	16.70	15.98	15.07	12.83	6.19
	Profit before tax to paid-in capital ratio (%)	54.15	76.04	74.56	73.36	59.53	32.86
	Net income ratio (%)	3.41	3.78	3.87	3.63	3.44	1.83
	EPS (NT$)	4.28	5.97	5.95	5.76	5.21	0.65
Cash flow (%)	Cash flow ratio	11.76	10.55	23.53	12.26	4.67	Note 2
	Cash flow adequacy ratio	Note 1	Note 1	95.24	81.47	45.36	37.71
	Cash reinvestment ratio	2.73	3.58	10.17	1.70	Note 2	Note 2
Leverage	Operating leverage	1.58	1.50	1.50	1.48	1.60	2.20
	Financial leverage	1.03	1.01	1.02	1.03	1.04	1.10

Analysis of items whose increased or decreased amounts are above 20% in the last two years:

1. "Interest coverage ratio" decreased mainly due to the decrease of net profits before tax.
2. "Average number of days to sell inventory" increased mainly due to the increase of inventory.
3. "Cash flow ratio" decreased mainly due to the increase of current liabilities.
4. "Cash flow adequacy ratio" changed mainly due to the decrease in net cash flow from operation activities, the increase in inventory, and procurement of the new plant (S2) in the Tainan Science Park in 2018.

Source: Consolidated financial statements audited by a CPA; 1Q 2019 financial information reviewed and approved by a CPA

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

Note 2: Net cash flow generated from operating activities with cash dividends deducted was negative and has no analytical value.

6.2.2. Parent-Company-Only Financial Analysis

Item	Period	Most recent five-year financial information				
		2014	2015	2016	2017	2018
Financial ratio (%)	Total liabilities to total assets	47.60	51.14	53.26	48.90	49.56
	Long-term debts to property, plant, and equipment	490.38	436.72	440.70	478.23	364.25
Ability to pay off debt (%)	Current ratio	139.89	135.60	143.24	152.82	127.74
	Quick ratio	119.48	112.84	125.70	132.34	100.87
	Interest coverage ratio	59.64	222.18	70.43	39.77	30.40
Ability to operate	A/R turnover (times)	5.88	5.48	4.57	5.13	4.71
	A/R turnover days	62	67	80	71	77
	Inventory turnover (times)	26.66	21.21	18.89	22.25	16.42
	Average days to sell inventory	14	17	19	16	22
	Accounts payable turnover (times)	6.36	6.12	5.55	6.63	6.18
	Property, plant, and equipment turnover (times)	18.85	20.45	16.94	16.93	14.53
	Total assets turnover (times)	1.90	2.24	1.94	1.97	1.86
Earnings ability	Return on assets (%)	6.81	8.47	7.74	7.56	6.70
	Return on equity (%)	12.65	16.70	15.98	15.07	12.83
	Profit before tax to paid-in capital ratio (%)	51.26	73.26	71.41	68.20	52.15
	Net income ratio (%)	3.52	3.76	3.93	3.74	3.51
	EPS (NT$)	4.28	5.97	5.95	5.76	5.21
Cash flow (%)	Cash flow ratio (%)	19.5	Note 2	30.27	10.05	6.83
	Cash flow adequacy ratio (%)	Note 1	Note 1	108.49	100.26	55.01
	Cash reinvestment ratio (%)	6.93	Note 2	15.45	Note 2	Note 2
Leverage	Operating leverage	1.25	1.31	1.29	1.22	1.42
	Financial leverage	1.02	1.01	1.02	1.03	1.05

Analysis of items whose increased or decreased amounts are above 20% in the last two years:

1. "Long-term debts to property, plant, and equipment" decreased mainly due to the procurement of the new plant (S2) in the Tainan Science Park in 2018, the conversion of corporate bonds, both payable and those due to expire within a year, to current liabilities.
2. "Quick ratio" decreased mainly due to the increase of current liabilities.
3. "Interest coverage ratio" decreased mainly due to the decrease of operating profits.
4. The decrease in "Inventory turnover (times)" and the increase in "Average number of days to sell inventory" were mainly due to the increase of inventory.
5. "Profit before tax to paid-in capital ratio" decreased mainly due to the decrease of net profits before tax.
6. "Cash flow ratio" decreased mainly due to the increase of current liabilities.
7. "Cash flow adequacy ratio" decreased mainly due to the procurement of the new plant (S2) in the Tainan Science Park in 2018 and the increase of inventory.

Source: Parent-company-only 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 generated from operating activities with cash dividends deducted was negative and has no analytical value.

The formulas used for calculating the figures in the above table are as follows:

1. Financial ratio

(1) Total liabilities to total assets = Total liabilities/total assets

(2) Long-term debts to property, plant and equipment = (Net equity + non-current liabilities)/net property, plant and equipment

2. Ability to operate

(1) Current ratio = Current assets/current liability

(2) Quick ratio = (Current assets – inventory – prepaid expenses)/current liability

(3) Interest coverage ratio = Net income before interest and taxes/interest expenses

3. Ability to operate

(1) Accounts receivable (including accounts receivable and notes receivable from operations) Turnover = Net sales/average accounts receivable (including accounts receivable and notes receivable from operations) balance

(2) Accounts receivable turnover days = 365/accounts receivable turnover

(3) Inventory turnover = Cost of goods sold/average inventory

(4) Accounts payable (including accounts payable and notes payable from operations) turnover = Cost of goods sold/average accounts payable (including accounts payable and notes payable from operations) balance

(5) Average number of days to sell inventory = 365/inventory turnover

(6) Property, plant and equipment turnover = Net sales/net fixed assets

(7) Total assets turnover = Net sales/total assets

4. Earnings ability

(1) Return on assets = [Profit after tax + interest expense × (1 – effective tax rate)]/average total assets
(2) Return on equity = Profit after tax/average net equity
(3) Net income ratio = Net income/net operating revenue
(4) Earnings per share (EPS) = (Net income attributable to shareholders of the parent – preferred stock dividends)/weighted average of outstanding shares

5. Cash flow

(1) Cash flow ratio = Net cash flows generated from operating activities/current liabilities
(2) Cash flow adequacy ratio = (Net cash flows generated from operating activities in the most recent five years/(capital expenditure + increase in inventory + cash dividends) in the most recent five years
(3) Cash reinvestment ratio = (Net cash flows generated from operating activities – cash dividends)/(gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (Net operating revenue – variable operating cost and expense)/net operating income
(2) Financial leverage = Net operating income/(net operating income – interest expenses)

6.3. 2018 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2018 business report, financial statements, and the profit distribution 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 distribution 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, 2019 Annual Shareholders' Meeting

Chairman of the Audit Committee: Robert Hung

March 13, 2019

6.4. Financial Reports

Independent Auditors' Report

To 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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 loss allowance. The management has subjective and significant judgments with the balance of allowance for loss allowance 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 as well as evaluating the management's assumptions on the completeness of inventory provisions and making an assessment of their adequacy for ageing inventories and considering the adequacy of the Group's disclosures in the accounts.

3. Accrual 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(8) "Description of Significant Accounts－Provisions－current" to the consolidated financial statements.

Description of key audit matters:

The management accrues the warranty provision quarterly based on the ratio of the projected cost of maintenance which are subject to the underlying products that 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 estimation and, if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty on any changes based on the estimates. Therefore, the accrual 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.

Other Matter

Wistron NeWeb Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, 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 Hai-Ning Huang and Shing-Hai Wei.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2019

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 the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 2,354,096	7	3,714,831	12
Financial assets at fair value through profit or loss－current (note 6(2))	456,251	1	-	-
Financial assets at fair value through other comprehensive income－current (note 6(2))	599,008	2	-	-
Available-for-sale financial assets－current (note 6(2))	-	-	2,632,450	9
Notes receivable (note 6(2))	465,313	1	247,990	1
Accounts receivable, net (note 6(2))	12,196,566	37	9,717,839	33
Accounts receivable from related parties (note 7)	168,444	1	116,745	-
Inventories, net (note 6(3))	9,090,058	28	6,704,345	22
Other financial assets－current (note 8)	76,789	-	86,036	-
Other current assets	387,352	1	227,812	1
Total current assets	25,793,877	78	23,448,048	78
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(2))	117,821	-	-	-
Financial assets carried at cost－non-current (note 6(2))	-	-	112,862	-
Investments accounted for using equity method (note 6(4))	116,704	-	121,228	1
Property, plant and equipment (notes 6(5) and 7)	6,353,679	19	5,620,272	19
Intangible assets (notes 6(6) and 7)	224,088	1	49,557	-
Deferred tax assets (note 6(12))	405,479	1	403,047	1
Refundable deposits (note 7)	16,787	-	7,470	-
Other non-current assets (note 6(2))	135,717	1	169,858	1
Total non-current assets	7,370,275	22	6,484,294	22
Total assets	$ 33,164,152	100	29,932,342	100

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term borrowings (note 6(7))	$ 2,610,381	8	2,688,304	9
Contract liabilities－current	336,153	1	-	-
Notes and accounts payable	9,853,505	30	7,727,680	26
Accounts payable to related parties (note 7)	120,534	-	40,369	-
Salary and bonus payable	1,517,585	5	1,414,525	5
Other accrued expenses	1,380,961	4	877,913	3
Provisions－current (note 6(8))	163,775	1	260,339	1
Long-term liabilities, current portion (note 6(9))	82,000	-	-	-
Other current liabilities	1,029,589	3	869,256	3
Total current liabilities	17,094,483	52	13,878,386	47
Non-current liabilities:				
Bonds payable (note 6(9))	-	-	1,173,627	4
Deferred tax liabilities (note 6(12))	127,212	-	564,478	2
Net defined benefit liabilities－non-current (note 6(11))	92,791	-	92,130	-
Other non-current liabilities	455	-	2,082	-
Total non-current liabilities	220,458	-	1,832,317	6
Total liabilities	17,314,941	52	15,710,703	53
Equity (notes 6(13) and (14))**:**				
Ordinary share capital	3,738,751	11	3,667,772	12
Advance receipts for share capital	155,370	1	-	-
Capital surplus	4,013,683	12	3,059,564	10
Retained earnings	8,346,593	25	7,815,783	26
Other equity interest	(405,186)	(1)	(321,480)	(1)
Total equity	15,849,211	48	14,221,639	47
Total liabilities and equity	$ 33,164,152	100	29,932,342	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Net operating revenue (notes 6(16), (17) and 7)	56,049,676	100	56,889,794	100
Operating costs (notes 6(3), (11), (18) and 7)	48,937,009	87	49,264,798	86
Gross profit	7,112,667	13	7,624,996	14
Operating expenses (notes 6(2), (11), (18) and 7)**:**				
Selling	1,893,667	3	1,977,207	3
General and administrative	1,006,073	2	970,401	2
Research and development	2,196,513	4	2,116,078	4
Expected credit impairment loss	341	-	-	-
Total operating expenses	5,096,594	9	5,063,686	9
Net operating income	2,016,073	4	2,561,310	5
Non-operating income and expenses:				
Other income (note 6(19))	214,937	-	207,212	-
Other gains and losses (note 6(19))	79,115	-	7,574	-
Finance costs (note 6(19))	(82,043)	-	(76,334)	-
Share of profit (loss) of associates accounted for using equity method (note 6(4))	(2,496)	-	(9,128)	-
Total non-operating income and expenses	209,513	-	129,324	-
Income before income tax	2,225,586	4	2,690,634	5
Income tax expenses (note 6(12))	296,241	1	626,944	1
Net income	1,929,345	3	2,063,690	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Gains (losses) on remeasurements of defined benefit plans (note 6(11))	(5,906)	-	595	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(110,540)	-	-	-
Income tax related to items that will not be reclassified subsequently (note 6(12))	(189)	-	101	-
Total items that will not be reclassified subsequently to profit or loss	(116,257)	-	494	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(122,454)	-	(126,646)	-
Unrealized gains or losses on available-for-sale financial assets	-	-	(3,798)	-
Income tax related to items that may be reclassified subsequently (note 6(12))	(28,086)	-	(21,530)	-
Total items that may be reclassified subsequently to profit or loss	(94,368)	-	(108,914)	-
Other comprehensive income	(210,625)	-	(108,420)	-
Total comprehensive income	**$ 1,718,720**	**3**	**1,955,270**	**4**
Earnings per share (New Taiwan Dollars) (note 6(15))				
Basic earnings per share	**$**	**5.21**		**5.65**
Diluted earnings per share	**$**	**4.95**		**5.33**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings				Total 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 or losses from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2017	$ 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
Net income for the period	-	-	-	-	-	2,063,690	2,063,690	-	-	-	-	-	2,063,690
Other comprehensive income for the period	-	-	-	-	-	494	494	(105,116)	-	(3,798)	-	(108,914)	(108,420)
Total comprehensive income for the period	-	-	-	-	-	2,064,184	2,064,184	(105,116)	-	(3,798)	-	(108,914)	1,955,270
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	204,260	-	(204,260)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,306,534)	(1,306,534)	-	-	-	-	-	(1,306,534)
Stock dividends distributed to shareholder	105,935	-	-	-	-	(105,935)	(105,935)	-	-	-	-	-	-
Conversion of convertible bonds	32,292	(4,198)	196,521	-	-	-	-	-	-	-	-	-	224,615
Share-based payment transactions	2,570	-	27,432	-	-	-	-	-	-	-	149,646	149,646	179,648
Balance as of December 31, 2017	3,667,772	-	3,059,564	1,796,713	108,123	5,910,947	7,815,783	(244,492)	-	91,144	(168,132)	(321,480)	14,221,639
Effects of retrospective application	-	-	-	-	-	35,053	35,053	-	56,091	(91,144)	-	(35,053)	-
Balance as of January 1, 2018 after adjustments	3,667,772	-	3,059,564	1,796,713	108,123	5,946,000	7,850,836	(244,492)	56,091	-	(168,132)	(356,533)	14,221,639
Net income for the period	-	-	-	-	-	1,929,345	1,929,345	-	-	-	-	-	1,929,345
Other comprehensive income for the period	-	-	-	-	-	(4,725)	(4,725)	(94,368)	(111,532)	-	-	(205,900)	(210,625)
Total comprehensive income for the period	-	-	-	-	-	1,924,620	1,924,620	(94,368)	(111,532)	-	-	(205,900)	1,718,720
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	206,369	-	(206,369)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	45,225	(45,225)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,357,075)	(1,357,075)	-	-	-	-	-	(1,357,075)
Stock dividends distributed to shareholder	73,355	-	-	-	-	(73,355)	(73,355)	-	-	-	-	-	-
Due to donated assets received	-	-	76	-	-	-	-	-	-	-	-	-	76
Conversion of convertible bonds	-	155,370	951,074	-	-	-	-	-	-	-	-	-	1,106,444
Share-based payment transactions	(2,376)	-	2,969	-	-	1,567	1,567	-	-	-	157,247	157,247	159,407
Balance as of December 31, 2018	$ 3,738,751	155,370	4,013,683	2,003,082	153,348	6,190,163	8,346,593	(338,860)	(55,441)	-	(10,885)	(405,186)	15,849,211

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31, 2018	2017
Cash flows from operating activities:		
Income before income tax	$ 2,225,586	2,690,634
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	1,105,459	1,165,407
Amortization	94,454	55,251
Expected credit impairment loss / Provision for doubtful accounts, net	341	12,174
Net gain on financial assets and liabilities at fair value through profit or loss	(7,050)	-
Interest expense	82,043	76,334
Interest income	(34,388)	(22,952)
Dividend income	(33,703)	(20,016)
Compensation cost arising from share-based payment transactions	159,407	179,648
Share of loss (profit) of associates accounted for using equity method	2,496	9,128
Gain on disposal of property, plant and equipment	(18)	(6,206)
Gain on disposal of non-current assets held for sale	-	(93,141)
Gain on disposal of investments	-	(1,001)
Impairment loss on financial assets	-	28,305
Adjustment for other non-cash-related losses, net	6,917	3,732
Provision for inventory devaluation loss	153,455	30,905
Provision for allowance for sales discounts	317,404	202,609
Total adjustments to reconcile profit (loss)	1,846,817	1,620,177
Changes in operating assets and liabilities:		
Notes receivable	(217,323)	(17,448)
Accounts receivable	(2,332,279)	(450,583)
Accounts receivable from related parties	(51,699)	(15,272)
Inventories	(2,539,168)	(564,529)
Other operating assets	(115,042)	6,840
Notes and accounts payable	2,125,825	(600,696)
Accounts payable to related parties	42,965	(26,111)
Other operating liabilities	356,770	(305,366)
Total changes in operating assets and liabilities	(2,729,951)	(1,973,165)
Total adjustments	(883,134)	(352,988)
Cash flows generated from operations	1,342,452	2,337,646
Interest received	32,841	23,003
Dividends received	34,062	20,016
Interest paid	(67,081)	(55,591)
Income taxes paid	(543,248)	(623,166)
Net cash flows generated from operating activities	799,026	1,701,908
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,257)	-
Acquisition of financial assets at fair value through profit or loss	(236,889)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,712,529	-
Acquisition of available-for-sale financial assets	-	(1,535,717)
Proceeds from disposal of available-for-sale financial assets	-	792,096
Acquisition of financial assets carried at cost－non-current	-	(15,111)
Proceeds from disposal of non-current assets held for sale	-	284,800
Acquisition of property, plant and equipment	(1,876,079)	(668,762)
Proceeds from disposal of property, plant and equipment	4,071	6,271
(Increase) decrease in refundable deposits	(9,317)	135
Acquisition of intangible assets	(231,797)	(63,896)
Increase in other financial assets	-	(2,500)
Net cash flows used in investing activities	(644,739)	(1,202,684)
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(67,766)	328,911
Cash dividends paid	(1,357,075)	(1,306,534)
Due to donated assets received	76	-
Net cash flows used in financing activities	(1,424,765)	(977,623)
Effect of exchange rate changes	(90,257)	(66,252)
Net decrease in cash and cash equivalents	(1,360,735)	(544,651)
Cash and cash equivalents at beginning of period	3,714,831	4,259,482
Cash and cash equivalents at end of period	$ 2,354,096	3,714,831

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(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, 2018, 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 13, 2019.

3. New Standards and Interpretations Adopted

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

The Group had fully adopted the following IFRSs, International Accounting Standards ("IASs"), IFRIC Interpretations and SIC Interpretations that have been issued by the International Accounting Standards Board ("IASB") and endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) and are effective for annual periods beginning on or after January 1, 2018 in preparing their consolidated financial statements. The related new standards, amendments and interpretations are as follows:

New Standards, Interpretations and Amendments	Effective date per IASB
Amendment to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4 *Applying* IFRS 9 *Financial Instruments with* IFRS 4 *Insurance Contracts*	January 1, 2018
IFRS 9 *Financial Instruments*	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
Amendment to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendment to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendment to IAS 40 *Transfers of Investment Property*	January 1, 2018

(Continued)

New Standards, Interpretations and Amendments	Effective date per IASB
Annual Improvements IFRS Standards 2014-2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

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

A. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the relevant interpretations. The 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. The Group adopt IFRS 15 in its consolidated financial statements using the cumulative effect approach. As a result, there is no need to reproduce the comparative information in previous periods. The Group recognized the cumulative effect upon the initially application of the principle as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are nature and impacts on the changing of accounting policies:

(a) Sales of goods

Prior to the adoption of IFRS 15, for the sales of goods, revenue is currently recognized depending on the individual terms of the sales agreement. For export sales that are usually FOB shipping point, transfer occurs upon loading the goods onto the relevant carrier at the port. For domestic sales, transfer occurs upon issuance of receipt by the customer. The related risks and rewards of ownership have to be transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

Prior to the application of IFRS 15, for certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue is recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(Continued)

(b) Rendering of services

Some of the manufacturing and sales contracts of the Group include pre-production activities such as researching, developing, designing and testing of new products. Prior to the adoption of IFRS 15, the said contracts in the past treated as a single transaction and the revenue is recognized whenever the sales of the goods meet all the revenue recognition conditions. Under IFRS 15, these pre-production activities will be identified as a separate performance obligation and their transaction prices will be allocated according to the related stand-alone selling prices of goods and pre-production activities.

(c) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Group’s consolidated financial statements for the year ended December 31, 2018:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable, net	$ 12,047,179	149,387	12,196,566	9,717,839	146,789	9,864,628
Impact on assets		**$ 149,387**			**146,789**	
Contract liabilities－current	$ -	336,153	336,153	-	292,645	292,645
Provisions－current	179,464	(15,689)	163,775	260,339	(17,919)	242,420
Refund liabilities－current (recorded in other current liabilities)	-	165,076	165,076	-	164,708	164,708
Other current liabilities	1,365,742	(336,153)	1,029,589	869,256	(292,645)	576,611
Impact on liabilities		**$ 149,387**			**146,789**	

B. IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Group’s approach was to include the impairment of receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosure*s that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(7).

The adoption of IFRS 9 did not have any material impact on the Group's accounting policies on financial liabilities.

(b) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, for the related accounting policies on impairment of financial assets under IFRS 9, please see note 4(7).

(c) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  －The determination of the business model within which a financial asset is held.

  －The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  －The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

(d) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (the measurement categories and carrying amount of financial liabilities have not changed).

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	3,714,831	Amortized cost	3,714,831
Equity instruments	Available-for-sale financial assets (note 1)	1,924,841	FVTPL	1,924,841
	Available-for-sale financial assets (note 2)	707,609	FVOCI	707,609
	Financial assets carried at cost (note 3)	112,862	FVOCI	112,862
Notes and accounts receivable (including related parties and overdue receivable)	Loans and receivables	10,082,574	Amortized cost	10,082,574
Other financial assets current	Loans and receivables	86,036	Amortized cost	86,036
Refundable deposits	Loans and receivables	7,470	Amortized cost	7,470

Note1: Under IAS 39, these fund investments were designated as at available-for-sale financial assets. As permitted by IFRS 9, these assets have been classified as mandatorily measured at FVTPL. Accordingly, the Group recognized the amount of $6,748 as other equity-unrealized gain or loss on available-for-sale financial assets in opening retained earnings upon its adoption of IFRS 9 commencing January 1, 2018.

Note2: As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Group elected to designate all of these investments as at FVOCI under IFRS 9. Accordingly, the Group recognized the amount of $84,396 as other equity-unrealized gain or loss on available-for-sale financial assets in other equity-unrealized gain or loss on financial assets at FVOCI.

Note3: These equity investments (financial assets carried at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, the Group recognized the amount of $28,305 as an accumulated impairment of the aforementioned investments in opening retained earnings upon its adoption of IFRS 9 commencing January 1, 2018.

(Continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
FVTPL						
From available for sale	$ -	1,924,841	-	1,924,841	6,748	(6,748)
FVOCI						
- Equity instruments:						
From available for sale	$ -	707,609	-	707,609	-	-
From financial assets carried at cost	-	112,862	-	112,862	28,305	(28,305)
Total	$ -	820,471	-	820,471	28,305	(28,305)
Amortized cost						
Cash and cash equivalents, receivables, other financial assets and refundable deposits–required reclassification based on classification criteria	$ -	13,890,911	-	13,890,911	-	-

C. Amendments to IAS 7 *Disclosure Initiative*

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

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(23).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New Standards, Interpretations and Amendments	Effective date per IASB
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

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

A. IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(a) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(b) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.

(Continued)

- apply the exemption not to recognize the right-of-use assets and lease liabilities with lease terms that ends within 12 months of the date of initial application.

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) So far, the impact of adopting IFRS 16 is that the Group will have to recognize its right-of-use assets and lease liabilities for its operating leases, including the land from Hsinchu Science Park. The Group estimated its right of use assets and lease liabilities to increase by $1,584,146 on January 1, 2019.

B. IFRIC 23 *Uncertainty over Income Tax Treatments*

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group estimated the application of the new amendments will not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRS have been issued by IASB, but have yet to be endorsed by the FSC:

New Standards, Interpretations and Amendments	**Effective date per IASB**
Amendment to IFRS 3 *Definition of a Business*	January 1, 2020
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 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

The Group is in the process of assessing the impact on financial position and results of operations of the above standards and interpretations. The Group will disclose the related results when the assessment is finalized.

(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 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 FVTPL are measured at fair value;

(b) Financial assets measured at FVOCI (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.

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.

(Continued)

B. List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at, December 31, 2018	Percentage of Ownership at, December 31, 2017
the Company	ANC Holding Corporation (ANCH)	Sales and trading of wireless communication products and electronic components	100%	100%
the Company	NeWeb Holding Corporation (NEWH)	Investment holding company	100%	100%
the Company	WNC Holding Corporation (WNCH)	Investment holding company	100%	100%
the Company	W-NeWeb Corporation (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) Corporation (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Corporation (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corporation (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Communication (Kunshan) Corporation (NQY)	Manufacturing and sales of satellite communication and portable communication products	100%	Note
NEWH	NeWeb Service (Kunshan) Corporation (NQC)	Repair and maintenance services for satellite communication and portable communication products	100%	100%

Note : The Company invested in NQY through NEWH in January 2018, and it has been included in the consolidated financial statements since then.

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

(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 ended of the reporting periods (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 from retranslation are recognized in profit or loss except for the differences in FVOCI (available-for-sale) financial assets, 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.

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

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

(Continued)

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

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

(6) Cash and cash equivalents

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

(7) Financial instruments

A. Financial assets (Applicable from January 1, 2018.)

Financial assets are classified into the following categories: measured at amortized cost, FVOCI and FVTPL.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized 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.

(c) Financial assets at FVTPL

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for ECL on financial assets measured at amortized cost (including cash and cash equivalents, receivables, other financial assets and refundable deposits).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The loss allowance is charged to profit or loss.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial assets (Applicable before January 1, 2018)

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

(Continued)

(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, which comprise receivables 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 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.

C. 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.

(Continued)

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

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

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

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

(b) Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at FVTPL, 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.

D. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value. Any 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 and are included in the line item of non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas 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.

(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) Investments 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 investees 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 investees.

(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 straight-line basis over its useful life. Each significant item of property, plant and equipment shall be evaluated individually and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

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

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

(a) Buildings: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

(c) Research and development equipment: 5 to 6 years

(Continued)

(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.

(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.

(Continued)

(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 5 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 reporting date. 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 each reporting date 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.

(Continued)

(15) Provisions

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

A. Warranties

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

B. Allowance for sales returns (Applicable before January 1, 2018)

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

(16) Revenue from contract with customers (Applicable from January 1, 2018.)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

A. Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

When the Group offers volume discounts to its customers, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refunded liability is recognized for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term, which is consistent with the market practice.

The Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

(Continued)

The Group's obligation to provide a refund for faulty product under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(8).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Rendering of services

Some of the manufacturing and sales contracts of the Group include pre-production activities such as researching, developing, designing and testing of new products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset (recorded in other current assets) is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and a consideration is payable when invoiced.

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(17) Revenue recognition (Applicable before January 1, 2018)

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.

(Continued)

(18) 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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 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.

(Continued)

(19) Share-based payment transactions

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.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

(20) 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 reporting period.

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

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

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

(a) levied by the same taxing authority; or

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

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

(Continued)

(21) 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.

(22) Operating segment information

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

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

The preparation of the consolidated financial statements in conformity with the 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) The loss allowance of receivables

The Group has estimated the loss allowance of receivables that is based on the risk of a default occurring and the rate of ECL. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(2).

(Continued)

(2) Valuation of inventories

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 reporting date. 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 inventories.

(3) Accrual of warranty provisions

Provision for warranty is accrued when product revenue is recognized. The accrual 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 its estimate and, if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty on any changes based on the estimates. Please refer to note 6(8) for the accrual of warranty provisions.

The Group’s accounting policies and disclosures include the fair value measurement for financial assets and liabilities. The Group determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Group also periodically assesses the evaluation model, performs retrospective tests, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The Group evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

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

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

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

For the assumption used in fair value measurement, please refer to note 6(20) of the financial instruments.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash, cash in bank and checking deposits	$ 868,543	1,372,491
Time deposits	1,485,553	2,342,340
	$ 2,354,096	3,714,831

(Continued)

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

(2) Financial assets

Details were as follows:

A. Financial assets at FVTPL:

	December 31, 2018
Beneficiary certificates－mutual funds	$ 344,362
Structured deposits	111,889
	$ 456,251

B. Financial assets at FVOCI:

Equity instruments at FVOCI

	December 31, 2018
Current:	
Domestic listed stocks	$ 599,008
Non-current:	
Foreign unlisted stocks	$ 117,821

These investments in equity instruments not held for trading, and therefore, are accounted for as FVOCI.

The aforementioned investments for liquidity were classified as available-for-sale financial assets and financial assets carried at cost as of December 31, 2017.

None of the aforementioned stock investments were disposed for the year ended December 31, 2018, therefore, there were no transfers of any cumulative gain or loss under equity relating to these investments.

C. Available-for-sale financial assets－current:

	December 31, 2017
Beneficiary certificates－mutual funds	$ 1,924,841
Domestic listed stocks	707,609
	$ 2,632,450

D. Financial assets carried at cost－non-current:

	December 31, 2017
Foreign unlisted stocks	$ 112,862

(Continued)

The Group evaluated the valuation of equity investment on NeWave Sensor Solutions, LLC. in the year ended December 31, 2017, resulting in an impairment loss of $28,305, recognized in other gains and losses. Please refer to note 6(19).

The aforementioned investments held by the Group were measured at amortized cost as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably. The Group classified the above investments as financial assets at FVOCI as of December 31, 2018.

E. Notes receivable, accounts receivable and overdue receivable, net:

	December 31, 2018	December 31, 2017
Current:		
Notes receivable from operating activities	$ 465,313	247,990
Accounts receivable－measured at amortized cost	12,286,849	9,954,570
	12,752,162	10,202,560
Less: loss allowance	(90,283)	(89,942)
allowance for sales discounts	-	(146,789)
	$ 12,661,879	9,965,829
Non-current:		
Overdue receivable	$ 176,264	176,264
Less: loss allowance	(176,264)	(176,264)
Overdue receivable, net (recorded in other non-current assets)	$ -	-

The Group applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables (including overdue receivables) as of December 31, 2018. To measure the ECL, receivables (including overdue receivables) have been grouped based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance
Not past due	$ 11,345,016	-	-
Past due 0~60 days	1,369,606	-	-
Past due 61~90 days	30,786	-	-
Past due 91~180 days	24,374	0.05%	13
Past due more than 181 days	327,088	81.49%	266,534
	$ 13,096,870		266,547

(Continued)

As of December 31, 2017, the Group applied the incurred loss model in considering the allowance for doubtful accounts of receivable (including overdue receivables), which were past due but not impaired, as follows:

	December 31, 2017
Past due 0~60 days	$ 776,113
Past due 61~90 days	61,919
Past due 91~180 days	56,214
Past due more than 181 days	29,390
	$ 923,636

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

		For the year ended December 31, 2017	
	For the year ended December 31, 2018	Individually assessed impairment	Collectively assessed impairment
Beginning balance (Note)	$ 266,206	251,969	3,084
Impairment loss recognized (reversed)	341	13,771	(351)
Reversal of amounts received	-	(1,246)	-
Write-off for the period	-	(1,021)	-
Ending balance	$ 266,547	263,473	2,733

Note: The Group assessed that the application of the IFRS 9 would not require any adjustments on its loss allowance with respect to its receivables as of January 1, 2018.

(3) Inventories, net

	December 31, 2018	December 31, 2017
Raw materials	$ 5,322,947	3,881,273
Work in process and semi-finished products	992,578	659,312
Finished goods	2,774,533	2,163,760
	$ 9,090,058	6,704,345

(Continued)

The details of operating costs were as follows:

	For the years ended December 31, 2018	For the years ended December 31, 2017
Cost of goods sold	$ 48,793,981	49,251,647
Inventory devaluation loss	153,455	30,905
Revenue from sale of scrap	(10,610)	(16,975)
Physical inventory gain (loss)	183	(779)
	$ 48,937,009	49,264,798

(4) 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, 2018	December 31, 2017
Aggregate information of associates that are not individually material	$ 116,704	121,228

Shares attributable to the Group were as follows:

	For the years ended December 31, 2018	For the years ended December 31, 2017
Net loss	$ (2,496)	(9,128)
Other comprehensive income	-	-
Total comprehensive income	$ (2,496)	(9,128)

(5) Property, plant and equipment

	Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance as of January 1, 2018	$ 5,011,239	5,944,146	964,402	1,182,742	124,998	13,227,527
Additions	608,175	210,142	48,216	106,458	919,186	1,892,177
Disposals and obsolescence	(71,024)	(107,480)	(75,903)	(42,086)	-	(296,493)
Reclassification	361,813	208,034	57,211	10,426	(643,531)	(6,047)
Effect of exchange rate changes	(43,507)	(75,766)	(1,801)	(19,557)	(2,126)	(142,757)
Balance as of December 31, 2018	$ 5,866,696	6,179,076	992,125	1,237,983	398,527	14,674,407

(Continued)

		Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Balance as of January 1, 2017	$	5,089,405	5,748,382	899,605	1,173,523	173,671	13,084,586
Additions		32,265	253,912	79,860	91,175	203,339	660,551
Disposals and obsolescence		(110,525)	(198,536)	(25,862)	(80,401)	-	(415,324)
Reclassification		37,625	204,556	11,501	12,335	(251,407)	14,610
Effect of exchange rate changes		(37,531)	(64,168)	(702)	(13,890)	(605)	(116,896)
Balance as of December 31, 2017	$	5,011,239	5,944,146	964,402	1,182,742	124,998	13,227,527
Accumulated depreciation:							
Balance as of January 1, 2018	$	1,607,502	4,423,606	729,750	846,397	-	7,607,255
Depreciation for the period		264,054	591,658	103,681	146,066	-	1,105,459
Disposals and obsolescence		(71,024)	(104,861)	(75,903)	(40,652)	-	(292,440)
Effect of exchange rate changes		(19,752)	(64,217)	(1,029)	(14,548)	-	(99,546)
Balance as of December 31, 2018	$	1,780,780	4,846,186	756,499	937,263	-	8,320,728
Balance as of January 1, 2017	$	1,468,378	4,030,520	651,312	768,830	-	6,919,040
Depreciation for the period		263,024	632,088	104,909	165,386	-	1,165,407
Disposals and obsolescence		(110,525)	(198,536)	(25,862)	(80,336)	-	(415,259)
Effect of exchange rate changes		(13,375)	(40,466)	(609)	(7,483)	-	(61,933)
Balance as of December 31, 2017	$	1,607,502	4,423,606	729,750	846,397	-	7,607,255
Book value:							
Balance as of December 31, 2018	$	4,085,916	1,332,890	235,626	300,720	398,527	6,353,679
Balance as of December 31, 2017	$	3,403,737	1,520,540	234,652	336,345	124,998	5,620,272

(6) Intangible assets

		Software	Other intangible assets	Total
Cost:				
Balance as of January 1, 2018	$	172,736	6,305	179,041
Additions		184,860	84,137	268,997
Write-off		(65,094)	(4,037)	(69,131)
Effect of exchange rate changes		(34)	-	(34)
Balance as of December 31, 2018	$	292,468	86,405	378,873
Balance as of January 1, 2017	$	145,609	11,343	156,952
Additions		61,628	2,268	63,896
Write-off		(34,456)	(7,306)	(41,762)
Effect of exchange rate changes		(45)	-	(45)
Balance as of December 31, 2017	$	172,736	6,305	179,041

(Continued)

		Software	Other intangible assets	Total
Amortization:				
Balance as of January 1, 2018	$	123,935	5,549	129,484
Amortization for the period		65,999	28,455	94,454
Write-off		(65,094)	(4,037)	(69,131)
Effect of exchange rate changes		(22)	-	(22)
Balance as of December 31, 2018	$	124,818	29,967	154,785
Balance as of January 1, 2017	$	106,377	9,661	116,038
Amortization for the period		52,057	3,194	55,251
Write-off		(34,456)	(7,306)	(41,762)
Effect of exchange rate changes		(43)	-	(43)
Balance as of December 31, 2017	$	123,935	5,549	129,484
Book value:				
Balance as of December 31, 2018	$	167,650	56,438	224,088
Balance as of December 31, 2017	$	48,801	756	49,557

(7) Short-term borrowings

	December 31, 2018				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	2.95%~3.58%	2019	$	2,311,386
Unsecured bank loans	RMB	4.70%	2019		216,168
Unsecured bank loans	EUR	0.70%	2019		43,925
Unsecured bank loans	GBP	1.42%	2019		38,902
Total				$	2,610,381

	December 31, 2017				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	1.76%~2.49%	2018	$	2,580,865
Unsecured bank loans	EUR	0.79%	2018		87,329
Unsecured bank loans	GBP	1.15%	2018		20,110
Total				$	2,688,304

Please refer to note 6(20) for the disclosure of interest risk, currency risk and liquidity risk.

(Continued)

(8) Provisions – current

	Warranties	Allowance for sales returns	Total
Balance as of January 1, 2018	$ 242,420	17,919	260,339
Provisions reversed for the period	(38,469)	-	(38,469)
Provisions utilized during the period	(40,176)	-	(40,176)
Provisions reclassify for the period	-	(17,919)	(17,919)
Balance as of December 31, 2018	$ 163,775	-	163,775
Balance as of January 1, 2017	$ 237,397	21,705	259,102
Provisions made (reversed) for the period	74,056	(3,468)	70,588
Provisions utilized during the period	(69,033)	(318)	(69,351)
Balance as of December 31, 2017	$ 242,420	17,919	260,339

(9) Bonds payable

	December 31, 2018	December 31, 2017
Convertible bonds payable	$ 1,500,000	1,500,000
Less: Unamortized bonds payable discount	-	(16,173)
Accumulated amount of converted bonds	(1,418,000)	(310,200)
Subtotal	82,000	1,173,627
Less: long-term liabilities, current portion	(82,000)	-
Book value – non-current	$ -	1,173,627
Equity element – conversion options (recorded in capital surplus – share options)	$ 77,169	117,826

	For the years ended December 31, 2018	2017
Interest expense	$ 14,817	17,751

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

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 $71.3 per share since August 15, 2018.

(Continued)

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(13) for the conversion of 2nd unsecured convertible bonds issued in 2016.

(10) Operating lease

A. Lessee

For the years ended December 31, 2018 and 2017, $101,144 and $71,001, 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 $3,480. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2018 and 2017, the operating leases of $5,205 and $7,457, respectively, were recognized as rental income.

C. Long-term prepaid rent

The Group obtained its land use rights according to the operating lease agreements. The lease agreements cover a period of 50 years, and the Group paid all the rental amounts in advance. For the years ended December 31, 2018 and 2017, the amounts of $1,712 and $1,690, respectively, were recognized as expenses in profit or loss. As of December 31, 2018 and 2017, the unamortized balance were $63,128 and $66,221, respectively.

(11) Employee benefits

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, 2018	December 31, 2017
Present value of the defined benefit obligation	$ 261,703	248,785
Fair value of plan assets	(168,912)	(156,655)
Net defined benefit liabilities	**$ 92,791**	**92,130**

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.

(Continued)

(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 $168,912 as of December 31, 2018. 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.

(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, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Defined benefit obligation as of January 1	$ 248,785	263,917
Current service costs and interest	4,750	3,985
Remeasurements of the net defined benefit liabilities		
－Actuarial loss (gain) arising from experience adjustments	993	7,614
－Actuarial loss (gain) arising from changes in financial assumptions	8,594	(8,992)
Benefits paid from plan assets	(1,419)	(17,739)
Defined benefit obligation as of December 31	**$ 261,703**	**248,785**

(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, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Fair value of plan assets as of January 1	$ 156,655	165,439
Interest income	2,581	2,305
Remeasurements of the net defined benefit liabilities		
－Return on plan assets (excluding current interest)	3,681	(783)
Contributions made	7,414	7,273
Benefits paid from plan assets	(1,419)	(17,579)
Fair value of plan assets as of December 31	**$ 168,912**	**156,655**

(Continued)

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31,	
	2018	**2017**
Current service costs	$ 733	377
Net interest on the net defined benefit liabilities	1,436	1,303
	$ 2,169	1,680

(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, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Cumulative amount as of January 1	$ (156,273)	(156,868)
Recognized for the period	(5,906)	595
Cumulative amount as of December 31	$ (162,179)	(156,273)

(f) Actuarial assumptions

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

	December 31, 2018	**December 31, 2017**
Discount rate	1.375%	1.625%
Future salary increase rate	4.000%	4.000%

The Company expects to make a contribution of $7,346 to its defined benefit plans in the following year, beginning December 31, 2018.

The weighted-average duration of the defined benefit obligation is 16.11 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2018, 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	$ (8,594)	8,986
Future salary increase rate	$ 8,609	(8,295)

(Continued)

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, 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 $237,033 and $218,918 for the years ended December 31, 2018 and 2017, respectively.

(12) Income tax

According to the amendments to the “Income Tax Act” enacted by the office of the President of the R.O.C. on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

A. Income tax expenses:

The amount of income tax expenses for the years ended December 31, 2018 and 2017, was as follows:

	For the years ended December 31, 2018	2017
Current income tax expense		
Current period	$ 574,389	540,887
10% surtax on unappropriated retained earnings	38,216	41,056
Adjustment for prior period	95,059	(30,604)
	707,664	551,339
Deferred income tax expense		
Origination and reversal of temporary differences	(393,018)	75,605
Adjustment in tax rate	(18,405)	-
	(411,423)	75,605
Income tax expenses	**$ 296,241**	**626,944**

(Continued)

The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	For the years ended December 31, 2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	$ (1,181)	101
Unrealized gains or losses from investments in equity instruments measured at FVOCI	992	-
	$ (189)	101
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	$ (28,086)	(21,530)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2018 and 2017 was as follows:

	For the years ended December 31, 2018	2017
Income before income tax	$ 2,225,586	2,690,634
Income tax at the Company's domestic tax rate	$ 445,117	457,408
Effect of different tax rates in foreign jurisdictions	154,398	156,194
Non-deductible expenses and others	172,950	82,159
Change in unrecongnized deductible temporary differences	(551,094)	-
Tax-exempt income	(40,000)	(79,269)
Adjustment in tax rate	(18,405)	-
10% surtax on unappropriated retained earnings	38,216	41,056
Over (under)-provision in prior periods	95,059	(30,604)
Total	$ 296,241	626,944

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2018 and 2017, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

(Continued)

	December 31, 2018	December 31, 2017
The temporary differences associated with investments in subsidiaries (tax amount):		
Unrecognized deferred tax liabilities	$ 551,094	-

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Others	Total
Balance as of January 1, 2018	$ 26,829	27,288	20,377	75,306	5,205	248,042	403,047
Recognized in profit or loss	138	16,565	-	(31,506)	(5,205)	(6,827)	(26,835)
Recognized in other comprehensive income	-	-	28,086	-	-	1,181	29,267
Balance as of December 31, 2018	**$ 26,967**	**43,853**	**48,463**	**43,800**	**-**	**242,396**	**405,479**
Balance as of January 1, 2017	$ 23,975	32,267	-	123,445	-	212,826	392,513
Recognized in profit or loss	2,854	(4,979)	-	(48,139)	5,205	35,317	(9,742)
Recognized in other comprehensive income	-	-	20,377	-	-	(101)	20,276
Balance as of December 31, 2017	**$ 26,829**	**27,288**	**20,377**	**75,306**	**5,205**	**248,042**	**403,047**

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Financial assets at fair value through other comprehen-sive income	Unrealized foreign exchange gain or loss	Total
Balance as of January 1, 2018	$ (564,478)	-	-	-	(564,478)
Recognized in profit or loss	439,482	-	-	(1,224)	438,258
Recognized in other comprehensive income	-	-	(992)	-	(992)
Balance as of December 31, 2018	**$ (124,996)**	**-**	**(992)**	**(1,224)**	**(127,212)**
Balance as of January 1, 2017	$ (493,429)	(1,153)	-	(5,186)	(499,768)
Recognized in profit or loss	(71,049)	-	-	5,186	(65,863)
Recognized in other comprehensive income	-	1,153	-	-	1,153
Balance as of December 31, 2017	**$ (564,478)**	**-**	**-**	**-**	**(564,478)**

C. The Company's tax returns have been examined by the tax authorities through 2016, except for the income tax return for 2015, which is still under review by the tax authorities.

(Continued)

(13) Capital and other equity interest

A. Issuance and cancellation of ordinary shares

As of December 31, 2018 and 2017, 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 $3,738,751 and $3,667,772, respectively.

As of December 31, 2018, the Company cancelled 238 thousand shares of restricted stock awarded to its employees, of which, 206 thousand shares had already been cancelled on December 20, 2018, with the completion of the registration procedures on January 4, 2018. The new ordinary shares of stock totaling 15,537 thousand shares were issued from the conversion of convertible bonds, which were accounted for under advance receipts for share capital as the registration procedures were yet to be completed as of December 31, 2018.

As of December 31, 2017, the Company cancelled 253 thousand shares of restricted stock awarded to its employees, of which, 193 thousand shares had already been cancelled on December 21, 2017, with the completion of the registration procedures on January 3, 2018. In addition, the Company issued 510 thousand shares of restricted stock awards and 2,809 new ordinary shares from the conversion of convertible bonds for the year ended December 31, 2017.

Pursuant to a shareholders' resolution on June 15, 2018, the Company increased its ordinary share capital by 7,336 thousand shares through the transfer of stock dividends of $73,355. The effective date of the capital increase was August 15, 2018, which has already been registered with the government authorities.

Pursuant to a shareholders' resolution on June 16, 2017, the Company increased its ordinary share capital by 10,594 thousand shares through the transfer of stock dividends of $105,935. The effective date of the capital increase was August 16, 2017, which has already been registered with the government authorities.

B. Capital surplus

	December 31, 2018	December 31, 2017
Capital surplus－premium	$ 2,410,165	2,287,600
Treasury stock sold to employees	100,454	100,454
Conversion options of bonds	77,169	117,826
Restricted stock awards	120,694	240,289
Convertible bonds payable－premium	1,268,472	276,742
Capital surplus from merger	36,653	36,653
Due to donated assets received	76	-
	$ 4,013,683	3,059,564

(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, 2018 and 2017.

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. Pursuant to the shareholders' meeting on June 15, 2018, the Company appropriated to reduce its shareholders' equity amounting to $45,225 as special reserve.

(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 2017 and 2016 which were approved during the shareholders' meeting held on June 15, 2018 and June 16, 2017, respectively:

	2017		**2016**	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.7003	1,357,075	3.6672	1,306,534
Shares	0.2000	73,355	0.2973	105,935
		$ 1,430,430		1,412,469

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 2018 will be presented for resolution in the Board of Directors' meeting on March 13, 2019 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meeting.

(14) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2018, is as follows:

	Restricted stock awards	
	Issued in 2017	**Issued in 2016**
Grant date	July 3, 2017	November 1, 2016
Granted units (thousands)	510	6,990
Contractual life	1~3 years	1~3 years
Recipients	Employees	Employees

(Continued)

	Restricted stock awards	
	Issued in 2017	**Issued in 2016**
Vesting condition	Note	Note
Price per share (TWD)	0	0
Adjusted exercise price (TWD)	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 2017	**Issued in 2016**
Exercise price (TWD)	0	0
Current market price at grant date (TWD)	90.8	87
Expected cash dividend yield	0%	0%
Expected volatility	25.02%/33.90%/ 33.56%	31.45%/36.72%/ 34.31%
Risk-free interest rate	0.23%/0.25%/ 0.28%	0.23%/0.25%/ 0.28%
Expected remaining contractual life of the awards	1~3 years	1~3 years

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 March 15, 2017 and August 10, 2016, the Board of Directors approved a resolution to issue 510 thousand shares and 6,990 thousand shares, respectively, of restricted stock awards to its employees. The effective dates of the capital increase were July 3, 2017 and November 1, 2016, respectively, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

(Continued)

For the years ended December 31, 2017, the Company issued the restricted stock awards of 510 thousand shares to its employees, which resulted in a capital surplus—restricted stock awards of $24,902. For the years ended December 31, 2018 and 2017, 238 thousand shares and 253 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $2,360 and $2,530, respectively. As the vesting period ended in November 2018, the Company decided to retrieve its restricted stock awards for its employees who failed to qualify certain requirements, as well as its cash and stock dividend generated from the above mentioned restricted stock awards. Therefore, the retrieved cash dividend amounted to $296, and the stock dividends of 2 thousands were cancelled in December 2018. As of December 31, 2018 and 2017, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $10,885 and $168,132, respectively. Such deferred amounts were recorded as deduction of other equity.

For the year ended December 31, 2018, the Company recognized the salary costs of $641 and $1,224, respectively, from the distribution of cash and stock dividends to its employees, which are using non-vesting conditions from the issuance of restricted stock awards from the prior period earnings in 2017 and 2016. Such unrealized salary costs were credited under capital surplus and retained earnings amounting to $609 and $1,256, respectively.

(15) 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,	
	2018	**2017**
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,929,345	2,063,690
Weighted-average number of ordinary shares (in thousands)	370,219	358,251
Basic earnings per share (TWD)	$ 5.21	5.76
Basic earnings per share－retrospectively adjusted (TWD)		$ 5.65
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,929,345	2,063,690
Interest expense on convertible bonds, net of tax	11,853	14,733
Net income attributable to ordinary shareholders of the Company (diluted)	1,941,198	2,078,423
Weighted-average number of ordinary shares (in thousands) (basic)	370,219	358,251
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee stock remuneration	3,476	3,843
Effect of unvested restricted stock awards	3,672	4,079
Effect of conversion of convertible bonds	14,922	16,111
Weighted-average number of ordinary shares (in thousands) (diluted)	392,289	382,284
Diluted earnings per share (TWD)	$ 4.95	5.44
Diluted earnings per share－retrospectively adjusted (TWD)		$ 5.33

(Continued)

(16) Revenue from contracts with customers

		For the year ended December 31, 2018
Revenues from major regional markets:		
Americas	$	30,392,639
Asia		15,273,419
Europe		10,263,783
Others		119,835
	$	**56,049,676**
Revenue from major products:		
Wireless communication products	$	54,094,833
Others		1,954,843
	$	**56,049,676**

Please refer to note 6(17) for the amount of operating revenue for the year ended December 31, 2017.

(17) Operating revenues

		For the year ended December 31, 2017
Wireless communication products	$	55,012,610
Others		1,877,184
	$	**56,889,794**

Please refer to note 6(16) for the amount of operating revenue for the year ended December 31, 2018.

(18) Remuneration to employees and directors

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

(i) No less than 5%, by shares or in cash, as employee remuneration; employees of controlled companies who meet specific requirements set by the Board of Directors can also be included.

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

(Continued)

The remunerations to employees amounted to $222,377 and $273,901, as well as the remunerations to directors amounted to $15,884 and $19,564 for the years ended December 31, 2018 and 2017, 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 2018 and 2017.

(19) Non-operating income and expenses

A. Other income

	For the years ended December 31, 2018	2017
Dividend income	$ 33,703	20,016
Interest income		
Interest income from bank deposits	34,388	22,952
Rental income (note 6(10))	5,205	7,457
Reversal of doubtful accounts recorded in other income	-	1,246
Others	141,641	155,541
	$ 214,937	207,212

B. Other gains and losses

	For the years ended December 31, 2018	2017
Foreign exchange gains (losses), net	$ 72,047	(64,469)
Gain on disposal of investments	-	1,001
Gain on disposal of property, plant and equipment	18	6,206
Gain on disposal of non-current assets held for sale	-	93,141
Impairment loss on financial assets	-	(28,305)
Net gain on financial assets and liabilities at FVTPL	7,050	-
	$ 79,115	7,574

(Continued)

C. Finance costs

	For the years ended December 31, 2018	For the years ended December 31, 2017
Interest expense – short-term borrowings	$ 67,120	58,433
Interest expense – bonds payable (note 6(9))	14,817	17,751
Interest expense – lease obligations payable	106	150
	$ 82,043	76,334

(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 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:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years
December 31, 2018				
Non-derivative financial liabilities				
Unsecured fixed-rate bank loans	$ 1,987,552	1,990,669	1,990,669	-
Unsecured variable-rate bank loans	622,829	624,427	624,427	-
Unsecured convertible bonds payable	82,000	82,000	82,000	-
	$ 2,692,381	2,697,096	2,697,096	-

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years
December 31, 2017				
Non-derivative financial liabilities				
Unsecured fixed-rate bank loans	$ 2,071,234	2,075,155	2,075,155	-
Unsecured variable-rate bank loans	617,070	617,826	617,826	-
Unsecured convertible bonds payable	1,173,627	1,189,800	-	1,189,800
	$ 3,861,931	3,882,781	2,692,981	1,189,800

(Continued)

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, 2018		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 324,100	30.733	9,960,557
Investments accounted for using equity method			
USD	3,797	30.733	116,704
Financial liabilities			
Monetary items			
USD	375,590	30.733	11,543,020

	December 31, 2017		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 268,781	29.848	8,022,575
Investments accounted for using equity method			
USD	4,062	29.848	121,228
Financial liabilities			
Monetary items			
USD	327,299	29.848	9,769,231

(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.

(Continued)

A fluctuation in the TWD/USD exchange rate on December 31, 2018 and 2017, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2018 and 2017 as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2018**	**2017**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ (41,192)	(48,570)
	Appreciation of TWD 1 against the USD	$ 41,192	48,570

(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 $72,047 and $(64,469), for the years ended December 31, 2018 and 2017, 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 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, 2018 and 2017, as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2018**	**2017**
Annual interest rate	Increase of 1%	$ (4,983)	(5,122)
	Decrease of 1%	$ 4,983	5,122

E. Other market price risk

If the price of equity securities in the reporting date rises or falls by 1%, and the other variables remain constant, the annual other comprehensive income would have increase or decrease by $6,933 and $26,325 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at FVTPL and financial assets at FVOCI (available-for-sale financial assets) is measured on a recurring basis. 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, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 344,362	344,362	-	-	344,362
Structured deposits	111,889	-	111,889	-	111,889
	$ 456,251	**344,362**	**111,889**	**-**	**456,251**
Financial assets at FVOCI					
Domestic listed stocks	$ 599,008	599,008	-	-	599,008
Foreign unlisted stocks	117,821	-	-	117,821	117,821
	$ 716,829	**599,008**	**-**	**117,821**	**716,829**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,354,096	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,830,323	-	-	-	-
Other financial assets – current	76,789	-	-	-	-
Refundable deposits	16,787	-	-	-	-
	$ 15,277,995	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,610,381	-	-	-	-
Notes and accounts payable (including related parties)	9,974,039	-	-	-	-
Bonds payable (recorded in long-term liabilities, current portion)	82,000	91,430	-	-	91,430
	$ 12,666,420	**91,430**	**-**	**-**	**91,430**

(Continued)

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Beneficiary certificates – mutual funds	$ 1,924,841	1,924,841	-	-	1,924,841
Domestic listed stocks	707,609	707,609	-	-	707,609
	$ 2,632,450	2,632,450	-	-	2,632,450
Loans and receivables					
Cash and cash equivalents	$ 3,714,831	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	10,082,574	-	-	-	-
Other financial assets – current	86,036	-	-	-	-
Refundable deposits	7,470	-	-	-	-
	$ 13,890,911	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,688,304	-	-	-	-
Notes and accounts payable (including related parties)	7,768,049	-	-	-	-
Bonds payable	1,173,627	1,365,890	-	-	1,365,890
	$ 11,629,980	1,365,890	-	-	1,365,890

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

The Group estimates its 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

The Group held its financial instruments presented as beneficiary certificates–mutual funds, domestic listed stocks and 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.

Except for the above financial instruments with an active market, the Group estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI - equity investments without an active market
Balance as of January 1, 2018	$ -
Effect of retrospective application	112,862
Total gains and losses	
Recognized in other comprehensive income	4,959
Balance as of December 31, 2018	$ 117,821

Resulting from the recognized total gains and losses above, the gains from financial assets at FVOCI as of December 31, 2018 amounted to $4,959.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI–equity investments.

The Group classified the equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI - equity investments without an active market	Market approach	• Price-to-sales ratio (2018.12.31: 1.09~18.90) • Price-equity ratio (2018.12.31: 2.90~3.09) • Discount for lack of marketability (2018.12.31: 80%)	• The higher the price-to-sales ratio, the higher the fair value. • The higher the price-equity ratio, the higher the fair value. • The higher the discount for lack of marketability, the lower the fair value.

(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.

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 investments.

The Group deposits its cash and cash equivalents in various creditworthy financial institutions. Beneficiary certificates 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, 2018 and 2017, except for customer A, the Group does not concentrate its transactions with any single customer or counterparty or any clients within similar areas. Also, the Group had no concentration of credit risk arising from receivables. However, the Group evaluates the collectability of accounts receivable and provides adequate reserves for loss allowance, 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.

(Continued)

(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 Group holds net foreign currency borrowings and uses forward exchange contracts to hedge the fluctuation risk arises from the translation of USD, EUR and GBP 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, 2018.

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 17,314,941	15,710,703
Less: cash and cash equivalents	(2,354,096)	(3,714,831)
Net debt	**$ 14,960,845**	**11,995,872**
Total equity	**$ 15,849,211**	**14,221,639**
Debt-to-adjusted-capital ratio	**94.39%**	**84.35%**

(Continued)

As of December 31, 2018, the debt-to-adjusted-capital ratio had increased due to the accounts payable which were derived from the Group's purchases, resulting in an increase in the Group's liabilities.

(23) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flow	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	December 31, 2018
Short-term borrowings	$ 2,688,304	(67,766)	(10,157)	-	2,610,381
Bonds payable (recorded in long-term liabilities, current portion)	1,173,627	-	-	(1,091,627)	82,000
	$ 3,861,931	(67,766)	(10,157)	(1,091,627)	2,692,381

7. Related-party Transactions

(1) Names and relationship with related parties

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

Name of related parties	Relationship with the Group
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wistron InfoComm (CHONGQING) Co., Ltd. (WCQ)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Chengdu) Co., Ltd. (WCD)	The subsidiary of the entity with significant influence over the Group
Wiwynn Corporation (WYHQ)	The subsidiary of the entity with significant influence over the Group
COWIN WORLDWIDE CORPORATION (COWIN)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Zhongshan) Corporation (WZS)	The subsidiary of the entity with significant influence over the Group
Wistron Service (Kunshan) Corporation (WSKS)	The subsidiary of the entity with significant influence over the Group
International Standards Labs. (ISL)	The subsidiary of the entity with significant influence over the Group
WiAdvance Technology Corporation (AGI)	The subsidiary of the entity with significant influence over the Group

(Continued)

Name of related parties	Relationship with the Group
AII Holding Corporation (AIIH)	The subsidiary of the entity with significant influence over the Group
SMS Infocomm Corporation (WTX)	The subsidiary of the entity with significant influence over the Group
KunShan ChangNun Precision Die Casting Co., Ltd. (WQN)	An associate of the Group

(2) Significant related-party transactions

A. Operating revenue

Related Party Categories	For the years ended December 31, 2018	2017
Entity with significant influence over the Group	$ 2,134	1,836
Other related parties	364,154	281,138
	$ 366,288	282,974

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.

B. Purchases

Related Party Categories	For the years ended December 31, 2018	2017
Associate	$ 304,732	295,389
Other related parties	-	1,001
	$ 304,732	296,390

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 Categories	December 31, 2018	December 31, 2017
Entity with significant influence over the Group	$ 1,028	600
Other related parties	167,416	116,145
	$ 168,444	116,745

(Continued)

D. Accounts payable to related parties

Related Party Categories	December 31, 2018	December 31, 2017
Associate	$ 77,232	36,769
Other related parties	-	703
	$ 77,232	37,472

E. Property Transactions

(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 Categories	For the years ended December 31, 2018	2017
Associate	$ 11,827	11,829

Related Party Categories	December 31, 2018	December 31, 2017
Associate	$ 2,757	1,174

(b) Acquisition of intangible assets

The amount of acquisition of intangible assets from related parties and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2018	2017
Other related parties	$ 54,804	-

Related Party Categories	December 31, 2018	December 31, 2017
Other related parties	$ 37,200	-

(Continued)

F. Other transactions

(a) The amounts paid by the Group to its related parties for administrative and repair expenses, and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2018	2017
Entity with significant influence over the Group	$ 6,066	2,853
Other related parties	5,915	2,170
Associate	902	1,210
	$ 12,883	6,233

Related Party Categories	December 31, 2018	December 31, 2017
Entity with significant influence over the Group	$ 1,047	507
Other related parties	552	134
Associate	834	251
	$ 2,433	892

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

	For the years ended December 31,			
	2018		2017	
Related Party Categories	Amount of the transaction	Accounts payable to related parties	Amount of the transaction	Accounts payable to related parties
Entity with significant influence over the Group	$ 2,356	207	1,417	129
Other related parties	5,098	705	4,344	702
	$ 7,454	912	5,761	831

As of December 31, 2018, the Group paid the refundable deposits (derived from the operating leases) to its related parties amounting to $96.

(c) For the years ended December 31, 2018 and 2017, the Group had received the cash dividend and stock dividend from its related party amounting to $41,082 and $21,898, respectively. As of December 31, 2018 and 2017, the receivables resulting from the above transactions had been settled.

(Continued)

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31,		
		2018	2017
Short-term employee benefits	$	175,262	140,624
Post-employment benefits		1,561	1,445
Share-based payment		50,214	54,925
	$	227,037	196,994

Please refer to note 6(14) for further information on share-based payment.

8. Pledged Assets

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

Assets	Purpose of Pledged		December 31, 2018	December 31, 2017
Time deposits (recorded in other financial assets－current)	Guarantees for land lease agreements	$	20,000	20,000
Time deposits (recorded in other financial assets－current)	Guarantees for dormitory lease agreements		2,500	2,500
		$	22,500	22,500

9. Significant Commitments and Contingencies

Except for note 6(10), the Company entered into agreement with the Institute for Information Industry which provided a promissory note amounting to $52,500 as of December 31, 2018.

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

(Continued)

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, 2018			For the year ended December 31, 2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	3,051,954	2,871,087	5,923,041	2,794,189	2,785,933	5,580,122
Labor and health insurance	135,666	165,093	300,759	127,096	153,814	280,910
Pension	137,697	101,505	239,202	131,631	88,967	220,598
Others	143,001	94,008	237,009	144,594	91,571	236,165
Depreciation	824,570	280,889	1,105,459	863,180	302,227	1,165,407
Amortization	9,745	84,709	94,454	6,978	48,273	55,251

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

Please refer to notes 6(16) and (17) on information regarding products and services for the years ended December 31, 2018 and 2017.

(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 year ended December 31, 2017
Revenues from external customers:	
Americas	$ 29,148,043
Asia	17,784,983
Europe	9,895,095
Others	61,673
	$ 56,889,794

(Continued)

Please refer to note 6(16) for the revenues from external customers for the year ended 2018.

	December 31, 2018	December 31, 2017
Non-current assets		
Americas	$ 2,431	881
Europe	236	326
Asia	6,710,817	5,838,480
	$ 6,713,484	5,839,687

(4) Major customer information

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

	For the years ended December 31,			
	2018		2017	
	Amount	% of net sales	Amount	% of net sales
Customer A	$ 1,745,233	3	5,863,059	10

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 30.733 to USD 1. The convenience translations should not be construed as representations that the TWD amounts have been, could have been, or could in th e future be, converted into USD at this rate or any other rate of exchange.

(Continued)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of USD)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents	$ 76,598	7	120,874	12
Financial assets at fair value through profit or loss－current	14,846	1	-	-
Financial assets at fair value through other comprehensive income－current	19,491	2	-	-
Available-for-sale financial assets－current	-	-	85,656	9
Notes receivable	15,140	1	8,069	1
Accounts receivable, net	396,856	37	316,202	33
Accounts receivable from related parties	5,481	1	3,799	-
Inventories, net	295,775	28	218,148	22
Other financial assets－current	2,498	-	2,799	-
Other current assets	12,604	1	7,413	1
Total current assets	839,289	78	762,960	78
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current	3,834	-	-	-
Financial assets carried at cost－non-current	-	-	3,672	-
Investments accounted for using equity method	3,797	-	3,945	1
Property, plant and equipment	206,738	19	182,874	19
Intangible assets	7,292	1	1,613	-
Deferred tax assets	13,194	1	13,114	1
Refundable deposits	546	-	243	-
Other non-current assets	4,416	1	5,527	1
Total non-current assets	239,817	22	210,988	22
Total assets	$ 1,079,106	100	973,948	100

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term borrowings	$ 84,937	8	87,473	9
Contract liabilities－current	10,938	1	-	-
Notes and accounts payable	320,617	30	251,446	26
Accounts payable to related parties	3,922	-	1,313	-
Salary and bonus payable	49,380	5	46,026	5
Other accrued expenses	44,934	4	28,566	3
Provisions－current	5,329	1	8,471	1
Long-term liabilities, current portion	2,668	-	-	-
Other current liabilities	33,501	3	28,284	3
Total current liabilities	556,226	52	451,579	47
Non-Current liabilities:				
Bonds payable	-	-	38,188	4
Deferred tax liabilities	4,139	-	18,367	2
Net defined benefit liabilities－non-current	3,019	-	2,998	-
Other non-current liabilities	15	-	68	-
Total non-current liabilities	7,173	-	59,621	6
Total liabilities	563,399	52	511,200	53
Equity:				
Ordinary share capital	121,653	11	119,343	12
Advance receipts for share capital	5,056	1	-	-
Capital surplus	130,598	12	99,553	10
Retained earnings	271,584	25	254,312	26
Other equity interest	(13,184)	(1)	(10,460)	(1)
Total equity	515,707	48	462,748	47
Total liabilities and equity	$ 1,079,106	100	973,948	100

(Continued)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of USD)

	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Net operating revenue	$ 1,823,762	100	1,851,098	100
Operating costs	1,592,328	87	1,602,993	86
Gross profit	231,434	13	248,105	14
Operating expenses:				
Selling	61,616	3	64,335	3
General and administrative	32,736	2	31,575	2
Research and development	71,471	4	68,854	4
Expected credit impairment loss	11	-	-	-
Total operating expenses	165,834	9	164,764	9
Net operating income	65,600	4	83,341	5
Non-operating income and expenses:				
Other income	6,994	-	6,742	-
Other gains and losses	2,574	-	247	-
Finance costs	(2,670)	-	(2,484)	-
Share of profit (loss) of associates accounted for using equity method	(81)	-	(297)	-
Total non-operating income and expenses	6,817	-	4,208	-
Income before income tax	72,417	4	87,549	5
Income tax expenses	9,639	1	20,400	1
Net income	62,778	3	67,149	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	(192)	-	19	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(3,597)	-	-	-
Income tax related to items that will not be reclassified subsequently	(6)	-	3	-
Totals items that will not be reclassified subsequendly to profit or loss	(3,783)	-	16	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(3,985)	-	(4,121)	-
Unrealized gains or losses on available-for-sale financial assets	-	-	(123)	-
Income tax related to items that may be reclassified subsequently	(914)	-	(700)	-
Total items that may be reclassified subsequently to profit or loss	(3,071)	-	(3,544)	-
Other comprehensive income	(6,854)	-	(3,528)	-
Total comprehensive income	**$ 55,924**	**3**	**63,621**	**4**
Earnings per share (USD)				
Basic earnings per share	**$**	**0.17**		**0.18**
Diluted earnings per share	**$**	**0.16**		**0.17**

(Continued)

(English Translation of Consolidated and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of USD)

				Retained earnings				Total 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 or losses from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2017	$ 114,762	136	92,266	51,816	3,518	177,773	233,107	(4,535)	-	3,089	(10,340)	(11,786)	428,485
Net income for the period	-	-	-	-	-	67,149	67,149	-	-	-	-	-	67,149
Other comprehensive income for the period	-	-	-	-	-	16	16	(3,421)	-	(123)	-	(3,544)	(3,528)
Total comprehensive income for the period	-	-	-	-	-	67,165	67,165	(3,421)	-	(123)	-	(3,544)	63,621
Appropriation and distribution of retained earnings:													
Appropriated for legal reserve	-	-	-	6,646	-	(6,646)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(42,513)	(42,513)	-	-	-	-	-	(42,513)
Stock dividends distributed to shareholder	3,447	-	-	-	-	(3,447)	(3,447)	-	-	-	-	-	-
Conversion of convertible bonds	1,051	(136)	6,394	-	-	-	-	-	-	-	-	-	7,309
Share-based payment transactions	83	-	893	-	-	-	-	-	-	-	4,870	4,870	5,846
Balance as of December 31, 2017	119,343	-	99,553	58,462	3,518	192,332	254,312	(7,956)	-	2,966	(5,470)	(10,460)	462,748
Effects of retrospective application	-	-	-	-	-	1,141	1,141	-	1,825	(2,966)	-	(1,141)	-
Balance as of January 1, 2018 after adjustments	119,343	-	99,553	58,462	3,518	193,473	255,453	(7,956)	1,825	-	(5,470)	(11,601)	462,748
Net income for the period	-	-	-	-	-	62,778	62,778	-	-	-	-	-	62,778
Other comprehensive income for the period	-	-	-	-	-	(154)	(154)	(3,071)	(3,629)	-	-	(6,700)	(6,854)
Total comprehensive income for the period	-	-	-	-	-	62,624	62,624	(3,071)	(3,629)	-	-	(6,700)	55,924
Appropriation and distribution of retained earnings:													
Appropriated for legal reserve	-	-	-	6,715	-	(6,715)	-	-	-	-	-	-	-
Appropriated for special reserve	-	-	-	-	1,472	(1,472)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(44,157)	(44,157)	-	-	-	-	-	(44,157)
Stock dividends distributed to shareholder	2,387	-	-	-	-	(2,387)	(2,387)	-	-	-	-	-	-
Due to donated assets received	-	-	2	-	-	-	-	-	-	-	-	-	2
Conversion of convertible bonds	-	5,056	30,946	-	-	-	-	-	-	-	-	-	36,002
Share-based payment transactions	(77)	-	97	-	-	51	51	-	-	-	5,117	5,117	5,188
Balance as of December 31, 2018	**$ 121,653**	**5,056**	**130,598**	**65,177**	**4,990**	**201,417**	**271,584**	**(11,027)**	**(1,804)**	**-**	**(353)**	**(13,184)**	**515,707**

(Continued)

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of USD)

	For the years ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Income before income tax	$ 72,417	87,549
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	35,970	37,920
Amortization	3,073	1,798
Expected credit impairmest loss / Provision for doubtful accounts, net	11	396
Net gain on financial assets and liabilities at fair value through profit or loss	(229)	-
Interest expense	2,670	2,484
Interest income	(1,119)	(747)
Dividend income	(1,097)	(651)
Compensation cost arising from share-based payment transactions	5,188	5,846
Share of loss (profit) of associates accounted for using equity method	81	297
Gain on disposal of property, plant and equipment	(1)	(202)
Gain on disposal of non-current assets held for sale	-	(3,031)
Gain on disposal of investments	-	(33)
Impairment loss on financial assets	-	921
Adjustment for other non-cash-related losses, net	225	121
Provision for inventory devaluation loss	4,993	1,006
Provision for allowance for sales discounts	10,327	6,593
Total adjustments to reconcile profit (loss)	60,092	52,718
Changes in operating assets and liabilities:		
Notes receivable	(7,071)	(568)
Accounts receivable	(75,889)	(14,661)
Accounts receivable from related parties	(1,682)	(497)
Inventories	(82,620)	(18,369)
Other operating assets	(3,743)	222
Notes and accounts payable	69,171	(19,545)
Accounts payable to related parties	1,398	(850)
Other operating liabilities	11,608	(9,936)
Total changes in operating assets and liabilities	(88,828)	(64,204)
Total adjustments	(28,736)	(11,486)
Cash flows generated from operations	43,681	76,063
Interest received	1,069	748
Dividends received	1,108	651
Interest paid	(2,183)	(1,809)
Income taxes paid	(17,676)	(20,276)
Net cash flows generated from operating activities	25,999	55,377
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(236)	-
Acquisition of financial assets at fair value through profit or loss	(7,708)	-
Proceeds from disposal of financial assets at fair value through profit or loss	55,722	-
Acquisition of available-for-sale financial assets	-	(49,969)
Proceeds from disposal of available-for-sale financial assets	-	25,773
Acquisition of financial assets carried at cost－non-current	-	(492)
Proceeds from disposal of non-current assets held for sale	-	9,267
Acquisition of property, plant and equipment	(61,044)	(21,760)
Proceeds from disposal of property, plant and equipment	132	204
(Increase) decrease in refundable deposits	(303)	4
Acquisition of intangible assets	(7,542)	(2,079)
Increase in other financial assets	-	(81)
Net cash flows used in investing activities	(20,979)	(39,133)
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(2,204)	10,703
Cash dividends paid	(44,157)	(42,513)
Due to donated assets received	2	-
Net cash flows used in financing activities	(46,359)	(31,810)
Effect of exchange rate changes	(2,937)	(2,156)
Net decrease in cash and cash equivalents	(44,276)	(17,722)
Cash and cash equivalents at beginning of period	120,874	138,596
Cash and cash equivalents at end of period	**$ 76,598**	**120,874**

See accompanying notes to parent-company-only financial statements.

Independent Auditors' Report

To the Board of Directors
Wistron NeWeb Corporation:

Opinion

We have audited the financial statements of Wistron NeWeb Corporation ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 parent-company-only financial statements section of our report. We are independent of the Company 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 parent-company-only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent-company-only 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(6) "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 parent-company-only financial statements.

Description of key audit matters:

The Company 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 loss allowance. The management has subjective and significant judgments with the balance of allowance for loss allowance 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 Company's provisions against the receivables by assessing the relevant assumptions and considering the adequacy of the Company's disclosures in the accounts.

2. Valuation of Inventories

Please refer to Note 4(7) "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 parent-company-only financial statements.

Description of key audit matters:

The Company 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 Company 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; as well as evaluating the management's assumptions on the completeness of inventory provisions and making an assessment of their adequacy for ageing inventories; and considering the adequacy of the Company's disclosures in the accounts.

3. Accrual 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(8) "Description of Significant Accounts－Provisions－current" to the parent-company-only financial statements.

Description of key audit matters:

The management accrues the warranty provision quarterly based on the ratio of the projected cost of maintenance which are subject to the underlying products that 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 estimation and, if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty on any changes based on the estimates. Therefore, the accrual 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 Company'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 Company's disclosures in the accounts.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 parent-company-only 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 parent-company-only 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 Company'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 Company'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 parent-company-only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only 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 investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 parent-company-only 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 Hai-Ning Huang and Shing-Hai Wei.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2019

Notes to Readers

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

The independent auditors' report and the accompanying parent-company-only 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 independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 1,566,755	5	2,461,044	9
Financial assets at fair value through profit or loss－current (note 6(2))	344,362	1	-	-
Financial assets at fair value through other comprehensive income－current (note 6(2))	599,008	2	-	-
Available-for-sale financial assets－current (note 6(2))	-	-	2,632,450	10
Notes receivable (note 6(2))	12,487	-	23,622	-
Accounts receivable, net (note 6(2))	9,560,568	30	6,951,755	25
Accounts receivable from related parties (note 7)	3,331,598	11	3,450,672	12
Inventories, net (note 6(3))	3,767,977	12	2,251,679	8
Other financial assets－current (note 8)	70,608	-	69,542	-
Other current assets	357,468	1	160,005	1
Total current assets	19,610,831	62	18,000,769	65
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(2))	117,821	-	-	-
Financial assets carried at cost－non-current (note 6(2))	-	-	112,862	-
Investments accounted for using equity method (notes 6(4) and 7)	6,776,970	22	6,122,529	22
Property, plant and equipment (notes 6(5) and 7)	4,351,194	14	3,219,239	12
Intangible assets (notes 6(6) and 7)	223,995	1	49,484	-
Deferred tax assets (note 6(12))	256,829	1	220,084	1
Refundable deposits (note 7)	12,664	-	3,294	-
Other non-current assets (note 6(2))	71,352	-	104,860	-
Total non-current assets	11,810,825	38	9,832,352	35
Total assets	$ 31,421,656	100	27,833,121	100

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term borrowings (note 6(7))	$ 2,264,870	7	2,226,647	8
Contract liabilities－current	318,166	1	-	-
Notes and accounts payable	3,799,810	12	2,602,898	9
Accounts payable to related parties (note 7)	5,558,073	18	4,041,360	15
Salary and bonus payable	1,224,315	4	1,152,089	4
Other accrued expenses	1,060,389	3	634,782	2
Provisions－current (note 6(8))	163,775	1	260,339	1
Long-term liabilities, current portion (note 6(9))	82,000	-	-	-
Other current liabilities	880,589	3	861,050	3
Total current liabilities	15,351,987	49	11,779,165	42
Non-current liabilities:				
Bonds payable (note 6(9))	-	-	1,173,627	5
Deferred tax liabilities (note 6(12))	127,212	1	564,478	2
Net defined benefit liabilities－non-current (note 6(11))	92,791	-	92,130	-
Other non-current liabilities	455	-	2,082	-
Total non-current liabilities	220,458	1	1,832,317	7
Total liabilities	15,572,445	50	13,611,482	49
Equity (notes 6(13) and (14))**:**				
Ordinary share capital	3,738,751	12	3,667,772	13
Advance receipts for share capital	155,370	-	-	-
Capital surplus	4,013,683	13	3,059,564	11
Retained earnings	8,346,593	26	7,815,783	28
Other equity interest	(405,186)	(1)	(321,480)	(1)
Total equity	15,849,211	50	14,221,639	51
Total liabilities and equity	$ 31,421,656	100	27,833,121	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Net operating revenue (notes 6(16), (17) and 7)	$54,990,399	100	55,199,381	100
Operating costs (notes 6(3), (11), (18) and 7)	49,410,910	90	49,075,436	89
Gross profit	5,579,489	10	6,123,945	11
Unrealized profit or loss from sales (note 7)	37,231	-	120,348	-
Realized gross profit	5,616,720	10	6,244,293	11
Operating expenses (notes 6(2), (11), (18) and 7)**:**				
Selling	1,503,114	3	1,575,291	3
General and administrative	674,391	1	669,969	1
Research and development	2,006,084	3	1,964,931	3
Expected credit impairment loss	341	-	-	-
Total operating expenses	4,183,930	7	4,210,191	7
Net operating income	1,432,790	3	2,034,102	4
Non-operating income and expenses:				
Other income (note 6(19))	160,394	-	184,542	-
Other gains and losses (note 6(19))	62,627	-	(42,932)	-
Finance costs (note 6(19))	(69,086)	-	(64,522)	-
Share of profit of subsidiaries accounted for using equity method (note 6(4))	444,164	1	390,252	1
Total non-operating income and expenses	598,099	1	467,340	1
Income before income tax	2,030,889	4	2,501,442	5
Income tax expenses (note 6(12))	101,544	-	437,752	1
Net income	1,929,345	4	2,063,690	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Gains (losses) on remeasurements of defined benefit plans (note 6(11))	(5,906)	-	595	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(110,540)	-	-	-
Income tax related to items that will not be reclassified subsequently (note 6(12))	(189)	-	101	-
Total items that will not be reclassified subsequently to profit or loss	(116,257)	-	494	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(122,454)	-	(126,646)	-
Unrealized gains or losses on available-for-sale financial assets	-	-	(3,798)	-
Income tax related to items that may be reclassified subsequently (note 6(12))	(28,086)	-	(21,530)	-
Total items that may be reclassified subsequently to profit or loss	(94,368)	-	(108,914)	-
Other comprehensive income	(210,625)	-	(108,420)	-
Total comprehensive income	$ 1,718,720	4	1,955,270	4
Earnings per share (New Taiwan Dollars) (note 6(15))				
Basic earnings per share	$ 5.21		5.65	
Diluted earnings per share	$ 4.95		5.33	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings				Total 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 or losses from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2017	$ 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
Net income for the period	-	-	-	-	-	2,063,690	2,063,690	-	-	-	-	-	2,063,690
Other comprehensive income for the period	-	-	-	-	-	494	494	(105,116)	-	(3,798)	-	(108,914)	(108,420)
Total comprehensive income for the period	-	-	-	-	-	2,064,184	2,064,184	(105,116)	-	(3,798)	-	(108,914)	1,955,270
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	204,260	-	(204,260)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,306,534)	(1,306,534)	-	-	-	-	-	(1,306,534)
Stock dividends distributed to shareholder	105,935	-	-	-	-	(105,935)	(105,935)	-	-	-	-	-	-
Conversion of convertible bonds	32,292	(4,198)	196,521	-	-	-	-	-	-	-	-	-	224,615
Share-based payment transactions	2,570	-	27,432	-	-	-	-	-	-	-	149,646	149,646	179,648
Balance as of December 31, 2017	3,667,772	-	3,059,564	1,796,713	108,123	5,910,947	7,815,783	(244,492)	-	91,144	(168,132)	(321,480)	14,221,639
Effects of retrospective application	-	-	-	-	-	35,053	35,053	-	56,091	(91,144)	-	(35,053)	-
Balance as of January 1, 2018 after adjustments	3,667,772	-	3,059,564	1,796,713	108,123	5,946,000	7,850,836	(244,492)	56,091	-	(168,132)	(356,533)	14,221,639
Net income for the period	-	-	-	-	-	1,929,345	1,929,345	-	-	-	-	-	1,929,345
Other comprehensive income for the period	-	-	-	-	-	(4,725)	(4,725)	(94,368)	(111,532)	-	-	(205,900)	(210,625)
Total comprehensive income for the period	-	-	-	-	-	1,924,620	1,924,620	(94,368)	(111,532)	-	-	(205,900)	1,718,720
Appropriation and distribution of retained earnings:													
Appropriation for legal reserve	-	-	-	206,369	-	(206,369)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	45,225	(45,225)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,357,075)	(1,357,075)	-	-	-	-	-	(1,357,075)
Stock dividends distributed to shareholder	73,355	-	-	-	-	(73,355)	(73,355)	-	-	-	-	-	-
Due to donated assets received	-	-	76	-	-	-	-	-	-	-	-	-	76
Conversion of convertible bonds	-	155,370	951,074	-	-	-	-	-	-	-	-	-	1,106,444
Share-based payment transactions	(2,376)	-	2,969	-	-	1,567	1,567	-	-	-	157,247	157,247	159,407
Balance as of December 31, 2018	$ 3,738,751	155,370	4,013,683	2,003,082	153,348	6,190,163	8,346,593	(338,860)	(55,441)	-	(10,885)	(405,186)	15,849,211

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Wistron NeWeb Corporation
Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31, 2018	2017
Cash flows from operating activities:		
Income before income tax	$ 2,030,889	2,501,442
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	547,732	522,380
Amortization	93,472	54,790
Expected credit impairment loss / Provision for doubtful accounts, net	341	12,174
Net gain on financial assets and liabilities at fair value through profit or loss	(7,050)	-
Interest expense	69,086	64,522
Interest income	(21,022)	(17,179)
Dividend income	(33,703)	(20,016)
Compensation cost arising from share-based payment transactions	159,407	179,648
Share of profit of subsidiaries accounted for using equity method	(444,164)	(390,252)
Gain on disposal of property, plant and equipment	(18)	(1,736)
Gain on disposal of non-current assets held for sale	-	(93,141)
Gain on disposal of investments	-	(1,001)
Impairment loss on financial assets	-	28,305
Unrealized profit or loss from sales	(37,231)	(120,348)
Adjustment for other non-cash-related losses, net	5,926	1,964
Provision for inventory devaluation loss	153,455	30,905
Provision for allowance for sales discounts	317,404	202,609
Total adjustments to reconcile profit (loss)	803,635	453,624
Changes in operating assets and liabilities:		
Notes receivable	11,135	(1,605)
Accounts receivable	(2,462,365)	(770,102)
Accounts receivable from related parties	119,074	1,225,780
Inventories	(1,669,753)	(123,346)
Other operating assets	(167,564)	(37,573)
Notes and accounts payable	1,196,912	(109,228)
Accounts payable to related parties	1,479,513	(1,403,560)
Other operating liabilities	90,438	(112,094)
Total changes in operating assets and liabilities	(1,402,610)	(1,331,728)
Total adjustments	(598,975)	(878,104)
Cash flows generated from operations	1,431,914	1,623,338
Interest received	21,032	17,265
Dividends received	34,062	20,016
Interest paid	(54,052)	(44,083)
Income taxes paid	(384,824)	(432,558)
Net cash flows generated from operating activities	1,048,132	1,183,978
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,257)	-
Acquisition of financial assets at fair value through profit or loss	(125,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,712,529	-
Acquisition of available-for-sale financial assets	-	(1,535,717)
Proceeds from disposal of available-for-sale financial assets	-	792,096
Acquisition of financial assets carried at cost－non-current	-	(15,111)
Acquisition of investments accounted for using equity method	(295,500)	-
Proceeds from disposal of non-current assets held for sale	-	284,800
Acquisition of property, plant and equipment	(1,668,730)	(418,157)
Proceeds from disposal of property, plant and equipment	466	1,736
(Increase) decrease in refundable deposits	(9,370)	414
Acquisition of intangible assets	(230,783)	(63,474)
Increase in other financial assets	-	(2,500)
Net cash flows used in investing activities	(623,645)	(955,913)
Cash flows from financing activities:		
Increase in short-term borrowings	38,223	500,733
Cash dividends paid	(1,357,075)	(1,306,534)
Due to donated assets received	76	-
Net cash flows used in financing activities	(1,318,776)	(805,801)
Net decrease in cash and cash equivalents	(894,289)	(577,736)
Cash and cash equivalents at beginning of period	2,461,044	3,038,780
Cash and cash equivalents at end of period	$ 1,566,755	2,461,044

See accompanying notes to parent-company-only financial statements.

Wistron NeWeb Corporation

Notes to Parent-Company-Only Financial Statements

For the Years Ended December 31, 2018 and 2017

(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 Company 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 parent-company-only financial statements were authorized for issue by the Board of Directors on March 13, 2019.

3. New Standards and Interpretations Adopted

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

The Company had fully adopted the following IFRS, International Accounting Standards ("IASs"), IFRIC Interpretations and SIC Interpretations that have been issued by the International Accounting Standards Board ("IASB") and endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) and are effective for annual periods beginning on or after January 1, 2018 in preparing their consolidated financial statements. The related new standards, amendments and interpretations are as follows:

New Standards, Interpretations and Amendments	Effective date per IASB
Amendment to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IFRS 4 *Applying* IFRS 9 *Financial Instruments with* IFRS 4 *Insurance Contracts*	January 1, 2018
IFRS 9 *Financial Instruments*	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
Amendment to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendment to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendment to IAS 40 *Transfers of Investment Property*	January 1, 2018

(Continued)

New Standards, Interpretations and Amendments	**Effective date per IASB**
Annual Improvements IFRS Standards 2014-2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent-company-only financial statements. The extent and impact of significant changes are as follows:

A. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the relevant interpretations. The 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. The Company adopt IFRS 15 in its parent-company-only financial statements using the cumulative effect approach. As a result, there is no need to reproduce the comparative information in previous periods. The Company recognized the cumulative effect upon the initially application of the principle as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are nature and impacts on the changing of accounting policies:

(a) Sales of goods

Prior to the adoption of IFRS 15, for the sales of goods, revenue is currently recognized depending on the individual terms of the sales agreement. For export sales that are usually FOB shipping point, transfer occurs upon loading the goods onto the relevant carrier at the port. For domestic sales, transfer occurs upon issuance of receipt by the customer. The related risks and rewards of ownership have to be transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

Prior to the application of IFRS 15, for certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue is recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(b) Rendering of services

Some of the manufacturing and sales contracts of the Company include pre-production activities such as researching, developing, designing and testing of new products. Prior to the adoption of IFRS 15, the said contracts in the past treated as a single transaction and the revenue is recognized whenever the sales of the goods meet all the revenue recognition conditions. Under IFRS 15, these pre-production activities will be identified as a separate performance obligation and their transaction prices will be allocated according to the related stand-alone selling prices of goods and pre-production activities.

(c) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's parent-company-only financial statements for the year ended December 31, 2018:

	December 31, 2018			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable, net	$ 9,411,181	149,387	9,560,568	6,951,755	146,789	7,098,544
Impact on assets		**$ 149,387**			**146,789**	
Contract liabilities－current	$ -	318,166	318,166	-	286,680	286,680
Provisions－current	179,464	(15,689)	163,775	260,339	(17,919)	242,420
Refund liabilities－current (recorded in other current liabilities)	-	165,076	165,076	-	164,708	164,708
Other current liabilities	1,198,755	(318,166)	880,589	861,050	(286,680)	574,370
Impact on liabilities		**$ 149,387**			**146,789**	

B. IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Company's approach was to include the impairment of receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(6).

The adoption of IFRS 9 did not have any material impact on the Company’s accounting policies on financial liabilities.

(b) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, for the related accounting policies on impairment of financial assets under IFRS 9, please see note 4(6).

(c) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

－The determination of the business model within which a financial asset is held.

－The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

－The designation of certain investments in equity instruments not held for trading as at FVOCI.

(d) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018. (the measurement categories and carrying amount of financial liabilities have not changed).

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	2,461,044	Amortized cost	2,461,044
Equity instruments	Available-for-sale financial assets (note 1)	1,924,841	FVTPL	1,924,841
	Available-for-sale financial assets (note 2)	707,609	FVOCI	707,609
	Financial assets carried at cost (note 3)	112,862	FVOCI	112,862
Notes and accounts receivable (including related parties and overdue receivable)	Loans and receivables	10,426,049	Amortized cost	10,426,049
Other financial assets —current	Loans and receivables	69,542	Amortized cost	69,542
Refundable deposits	Loans and receivables	3,294	Amortized cost	3,294

Note1: Under IAS 39, these fund investments were designated as at available-for-sale financial assets. As permitted by IFRS 9, these assets have been classified as mandatorily measured at FVTPL. Accordingly, the Company recognized the amount of $6,748 as other equity-unrealized gain or loss on available-for-sale financial assets in opening retained earnings upon its adoption of IFRS 9 commencing January 1, 2018.

Note2: As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company elected to designate all of these investments as at FVOCI under IFRS 9. Accordingly, the Company recognized the amount of $84,396 as other equity-unrealized gain or loss on available-for-sale financial assets in other equity-unrealized gain or loss on financial assets at FVOCI.

Note3: These equity investments (financial assets carried at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, the Company recognized the amount of $28,305 as an accumulated impairment of the aforementioned investments in opening retained earnings upon its adoption of IFRS 9 commencing January 1, 2018.

(Continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
FVTPL						
From available for sale	$ -	1,924,841	-	1,924,841	6,748	(6,748)
FVOCI						
- Equity instruments:						
From available for sale	$ -	707,609	-	707,609	-	-
From financial assets carried at cost	-	112,862	-	112,862	28,305	(28,305)
Total	$ -	820,471	-	820,471	28,305	(28,305)
Amortized cost						
Cash and cash equivalents, receivables, other financial assets and refundable deposits–required reclassification based on classification criteria	$ -	12,959,929	-	12,959,929	-	-

C. Amendments to IAS 7 *Disclosure Initiative*

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

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(23).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New Standards, Interpretations and Amendments	Effective date per IASB
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRS would not have any material impact on its parent-company-only financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(a) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(b) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.

(Continued)

- apply the exemption not to recognize the right-of-use assets and lease liabilities with lease terms that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) So far, the impact of adopting IFRS 16 is that the Company will have to recognize its right-of-use assets and lease liabilities for its operating leases, including the land from Hsinchu Science Park. The Company estimated its right-of-use assets and lease liabilities to increase by $1,479,243 on January 1, 2019.

B. IFRIC 23 *Uncertainty over Income Tax Treatments*

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the new amendments will not have any material impact on its parent-company-only financial statements.

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

As of the date, the following IFRS have been issued by IASB, but have yet to be endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date per IASB
Amendment to IFRS 3 *Definition of a Business*	January 1, 2020
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 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

The Company is in the process of assessing the impact on financial position and results of operations of the above standards and interpretations. The Company will disclose the related results when the assessment is finalized.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these parent-company-only 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 parent-company-only financial statements.

(1) Statement of compliance

The parent-company-only 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).

(2) Basis of preparation

A. Basis of measurement

The parent-company-only 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 FVTPL are measured at fair value;

(b) Financial assets measured at FVOCI (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 the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only 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) 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 ended of the reporting periods (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.

(Continued)

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 from retranslation are recognized in profit or loss except for the differences in FVOCI (available-for-sale) financial assets, 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.

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(Continued)

(6) Financial instruments

A. Financial assets (Applicable from January 1, 2018.)

Financial assets are classified into the following categories: measured at amortized cost, FVOCI and FVTPL.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(Continued)

(c) Financial assets at FVTPL

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for ECL on financial assets measured at amortized cost (including cash and cash equivalents, receivables, other financial assets and refundable deposits).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings.

(Continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The loss allowance is charged to profit or loss.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’ s procedures for recovery of amounts due.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial assets (Applicable before January 1, 2018.)

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

(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.

(Continued)

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 Company'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, which comprise receivables 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 Company 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.

(Continued)

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

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

(d) Derecognition of financial assets

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

C. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Company 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 Company 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.

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 FVTPL, 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 Company 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 Company presents financial assets and liabilities on a net basis when the Company 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.

D. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value. Any 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 and are included in the line item of non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(7) 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)

(8) 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.

(9) Investments in associates

Associates are those entities over which the Company has a significant influence and the authority to participate in the financial and operating policy decisions of the investees 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 parent-company-only financial statements include the Company'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 Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and associates are eliminated to the extent of the Company'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 Company'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 Company has a present legal or constructive obligation or has made payments on behalf of the investees.

(10) Investments in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(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 Company 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 straight-line basis over its useful life. Each significant item of property, plant and equipment shall be evaluated individually and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

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

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

(a) Buildings: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

(c) Research and development equipment: 5 to 6 years

(Continued)

(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 Company 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.

(13) Intangible assets

A. Research and development

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

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

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

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

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

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

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

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

(Continued)

B. Other intangible assets

Other intangible assets acquired by the Company 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 5 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 reporting date. Any change shall be accounted for as changes in accounting estimates.

(14) Impairment of non-financial assets

The Company 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 Company 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 Company would assess at each reporting date 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 Company 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.

(Continued)

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 (Applicable before January 1, 2018)

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

(16) Revenue from contract with customers (Applicable from January 1, 2018.)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below:

A. Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

When the Company offers volume discounts to its customers, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refunded liability is recognized for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term, which is consistent with the market practice.

The Company reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company’s obligation to provide a refund for faulty product under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(8).

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

B. Rendering of services

Some of the manufacturing and sales contracts of the Company include pre-production activities such as researching, developing, designing and testing of new products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset (recorded in other current assets) is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and a consideration is payable when invoiced.

C. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(17) Revenue recognition (Applicable before January 1, 2018.)

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 Company 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.

(18) Employee benefits

A. Defined contribution plans

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

(Continued)

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 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 Company 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.

(19) Share-based payment transactions

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

(Continued)

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

(20) 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 reporting period.

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

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

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

(a) levied by the same taxing authority; or

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

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

(21) Earnings per share

The Company 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.

(Continued)

(22) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

The preparation of the parent-company-only financial statements in conformity with the Regulations 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) The loss allowance of receivables

The Company has estimated the loss allowance of receivables that is based on the risk of a default occurring and the rate of ECL. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(2).

(2) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. 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 inventories.

(3) Accrual of warranty provisions

Provision for warranty is accrued when product revenue is recognized. The accrual 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 Company regularly reviews the basis of its estimate and, if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty on any changes based on the estimates. Please refer to note 6(8) for the accrual of warranty provisions.

(Continued)

The Company's accounting policies and disclosures include the fair value measurement for financial assets and liabilities. The Company determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The Company evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

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

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

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

For the assumption used in fair value measurement, please refer to note 6(20) of the financial instruments.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash, cash in bank and checking deposits	$ 346,755	402,260
Time deposits	1,220,000	2,058,784
	$ 1,566,755	2,461,044

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

(2) Financial assets

Details were as follows:

A. Financial assets at FVTPL:

	December 31, 2018
Beneficiary certificates－mutual funds	$ 344,362

(Continued)

B. Financial assets at FVOCI:

Equity instruments at FVOCI

		December 31, 2018
Current:		
Domestic listed stocks	$	599,008
Non-current:		
Foreign unlisted stocks	$	117,821

These investments in equity instruments not held for trading, and therefore, are accounted for as FVOCI.

The aforementioned investments for liquidity were classified as available-for-sale financial assets and financial assets carried at cost as of December 31, 2017.

None of the aforementioned stock investments were disposed for the year ended December 31, 2018, therefore, there were no transfers of any cumulative gain or loss under equity relating to these investments.

C. Available-for-sale financial assets－current:

		December 31, 2017
Beneficiary certificates－mutual funds	$	1,924,841
Domestic listed stocks		707,609
	$	2,632,450

D. Financial assets carried at cost－non-current:

		December 31, 2017
Foreign unlisted stocks	$	112,862

The Company evaluated the valuation of equity investment on NeWave Sensor Solutions, LLC in the year ended December 31, 2017, resulting in an impairment loss of $28,305, recognized in other gains and losses. Please refer to note 6(19).

The aforementioned investments held by the Company were measured at amortized cost as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company management had determined that the fair value cannot be measured reliably. The Company classified the above investments as financial assets at FVOCI as of December 31, 2018.

(Continued)

E. Notes receivable, accounts receivable and overdue receivable, net:

		December 31, 2018	December 31, 2017
Current:			
Notes receivable from operating activities	$	12,487	23,622
Accounts receivable－measured at amortized cost		9,650,851	7,188,486
		9,663,338	7,212,108
Less: loss allowance		(90,283)	(89,942)
allowance for sales discounts		-	(146,789)
	$	9,573,055	6,975,377
Non-current:			
Overdue receivable	$	176,264	176,264
Less: loss allowance		(176,264)	(176,264)
Overdue receivable, net (recorded in other non-current assets)	$	-	-

The Company applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables (including overdue receivables) as of December 31, 2018. To measure the ECL, receivables (including overdue receivables) have been grouped based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance as of December 31, 2018 was determined as follows:

		Gross carrying amount	Weighted-average loss rate	Loss allowance
Not past due	$	11,126,577	-	-
Past due 0~60 days		1,723,837	-	-
Past due 61~90 days		19,389	-	-
Past due 91~180 days		20,003	0.06%	13
Past due more than 181 days		281,394	94.72%	266,534
	$	13,171,200		266,547

As of December 31, 2017, the Company applied the incurred loss model in considering the allowance for doubtful accounts of receivable (including overdue receivables), which were past due but not impaired, as follows:

		December 31, 2017
Past due 0~60 days	$	1,927,318
Past due 61~90 days		58,630
Past due 91~180 days		4,319
Past due more than 181 days		25,211
	$	2,015,478

(Continued)

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

	For the year ended December 31, 2018	For the year ended December 31, 2017	
		Individually assessed impairment	**Collectively assessed impairment**
Beginning balance (Note)	$ 266,206	251,969	3,084
Impairment loss recognized (reversed)	341	13,771	(351)
Reversal of amounts received	-	(1,246)	-
Write-off for the period	-	(1,021)	-
Ending balance	$ 266,547	263,473	2,733

Note: The Company assessed that the application of the IFRS 9 would not require any adjustments on its loss allowance with respect to its receivables as of January 1, 2018.

(3) Inventories, net

	December 31, 2018	December 31, 2017
Raw materials	$ 1,885,362	862,221
Work in process and semi-finished products	489,980	285,437
Finished goods	1,392,635	1,104,021
	$ 3,767,977	2,251,679

The details of operating costs were as follows:

	For the years ended December 31, 2018	2017
Cost of goods sold	$ 49,259,123	49,047,478
Inventory devaluation loss	153,455	30,905
Revenue from sale of scrap	(1,851)	(2,168)
Physical inventory gain (loss)	183	(779)
	$ 49,410,910	49,075,436

(Continued)

(4) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Subsidiaries	$ 6,914,409	6,267,491
Unrealized profit (loss) from sales (downstream transactions) of the group	(151,031)	(188,262)
Income tax of unrealized profit or loss from sales (downstream transactions) of the group	13,592	43,300
	$ 6,776,970	6,122,529

Shares of the profit of subsidiaries accounted for using equity method were as follows:

	For the years ended December 31,	
	2018	2017
Subsidiaries	$ 473,872	417,932
Income tax of unrealized profit or loss from sales (downstream transactions) of the group	(29,708)	(27,680)
	$ 444,164	390,252

Please refer to consolidated financial statements for the year ended December 31, 2018, for the subsidiaries information.

(5) Property, plant and equipment

	Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance as of January 1, 2018	$ 2,982,237	1,935,259	900,376	266,655	122,034	6,206,561
Additions	602,664	189,028	37,007	19,164	837,328	1,685,191
Disposals and obsolescence	(5,948)	(25,009)	(73,374)	(11,503)	-	(115,834)
Reclassification	361,307	141,549	53,519	2,698	(564,129)	(5,056)
Balance as of December 31, 2018	$ 3,940,260	2,240,827	917,528	277,014	395,233	7,770,862
Balance as of January 1, 2017	$ 2,931,718	1,717,739	844,646	252,804	122,519	5,869,426
Additions	24,896	162,577	71,256	15,169	139,948	413,846
Disposals and obsolescence	(1,650)	(74,065)	(24,060)	(3,332)	-	(103,107)
Reclassification	27,273	129,008	8,534	2,014	(140,433)	26,396
Balance as of December 31, 2017	$ 2,982,237	1,935,259	900,376	266,655	122,034	6,206,561
Accumulated depreciation:						
Balance as of January 1, 2018	$ 784,831	1,301,891	682,995	217,605	-	2,987,322
Depreciation for the period	151,686	276,799	96,171	23,076	-	547,732
Disposals and obsolescence	(5,948)	(25,009)	(73,374)	(11,055)	-	(115,386)
Balance as of December 31, 2018	$ 930,569	1,553,681	705,792	229,626	-	3,419,668

(Continued)

	Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Balance as of January 1, 2017	$ 632,522	1,135,029	608,277	192,221	-	2,568,049
Depreciation for the period	153,959	240,927	98,778	28,716	-	522,380
Disposals and obsolescence	(1,650)	(74,065)	(24,060)	(3,332)	-	(103,107)
Balance as of December 31, 2017	$ 784,831	1,301,891	682,995	217,605	-	2,987,322
Book value:						
Balance as of December 31, 2018	$ 3,009,691	687,146	211,736	47,388	395,233	4,351,194
Balance as of December 31, 2017	$ 2,197,406	633,368	217,381	49,050	122,034	3,219,239

(6) Intangible assets

	Software	Other intangible assets	Total
Cost:			
Balance as of January 1, 2018	$ 172,035	6,305	178,340
Additions	183,846	84,137	267,983
Write-off	(64,612)	(4,037)	(68,649)
Balance as of December 31, 2018	$ 291,269	86,405	377,674
Balance as of January 1, 2017	$ 140,528	11,343	151,871
Additions	61,206	2,268	63,474
Write-off	(29,699)	(7,306)	(37,005)
Balance as of December 31, 2017	$ 172,035	6,305	178,340
Amortization:			
Balance as of January 1, 2018	$ 123,307	5,549	128,856
Amortization for the period	65,017	28,455	93,472
Write-off	(64,612)	(4,037)	(68,649)
Balance as of December 31, 2018	$ 123,712	29,967	153,679
Balance as of January 1, 2017	$ 101,410	9,661	111,071
Amortization for the period	51,596	3,194	54,790
Write-off	(29,699)	(7,306)	(37,005)
Balance as of December 31, 2017	$ 123,307	5,549	128,856
Book value:			
Balance as of December 31, 2018	$ 167,557	56,438	223,995
Balance as of December 31, 2017	$ 48,728	756	49,484

(Continued)

(7) Short-term borrowings

	December 31, 2018			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	USD	2.95%~3.58%	2019	$ 2,182,043
Unsecured bank loans	EUR	0.70%	2019	43,925
Unsecured bank loans	GBP	1.42%	2019	38,902
Total				$ 2,264,870

	December 31, 2017			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	USD	1.76%~2.49%	2018	$ 2,119,208
Unsecured bank loans	EUR	0.79%	2018	87,329
Unsecured bank loans	GBP	1.15%	2018	20,110
Total				$ 2,226,647

Please refer to note 6(20) for the disclosure of interest risk, currency risk and liquidity risk.

(8) Provisions – current

	Warranties	**Allowance for sales returns**	**Total**
Balance as of January 1, 2018	$ 242,420	17,919	260,339
Provisions reversed for the period	(38,469)	-	(38,469)
Provisions utilized during the period	(40,176)	-	(40,176)
Provisions reclassify for the period	-	(17,919)	(17,919)
Balance as of December 31, 2018	$ 163,775	-	163,775
Balance as of January 1, 2017	$ 237,397	21,705	259,102
Provisions made (reversed) for the period	74,056	(3,468)	70,588
Provisions utilized during the period	(69,033)	(318)	(69,351)
Balance as of December 31, 2017	$ 242,420	17,919	260,339

(Continued)

(9) Bonds payable

		December 31, 2018	December 31, 2017
Convertible bonds payable	$	1,500,000	1,500,000
Less: Unamortized bonds payable discount		-	(16,173)
Accumulated amount of converted bonds		(1,418,000)	(310,200)
Subtotal		82,000	1,173,627
Less: long-term liabilities, current portion		(82,000)	-
Book value – non-current	$	-	1,173,627
Equity element – conversion options (recorded in capital surplus – share options)	$	77,169	117,826

		For the years ended December 31, 2018	2017
Interest expense	$	14,817	17,751

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

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 $71.3 per share since August 15, 2018.

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(13) for the conversion of 2nd unsecured convertible bonds issued in 2016.

(Continued)

(10) Operating lease

A. Lessee

For the years ended December 31, 2018 and 2017, $28,437 and $27,987, respectively, were recognized as expenses in profit or loss in respect of operating leases.

The Company 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 $3,480. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2018 and 2017, the operating leases of $5,205 and $7,446, respectively, were recognized as rental income.

(11) Employee benefits

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, 2018	December 31, 2017
Present value of the defined benefit obligation	$ 261,703	248,785
Fair value of plan assets	(168,912)	(156,655)
Net defined benefit liabilities	$ 92,791	92,130

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 $168,912 as of December 31, 2018. 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, 2018 and 2017 were as follows:

	For the years ended December 31,		
		2018	**2017**
Defined benefit obligation as of January 1	$	248,785	263,917
Current service costs and interest		4,750	3,985
Remeasurements of the net defined benefit liabilities			
－Actuarial loss (gain) arising from experience adjustments		993	7,614
－Actuarial loss (gain) arising from changes in financial assumptions		8,594	(8,992)
Benefits paid from plan assets		(1,419)	(17,739)
Defined benefit obligation as of December 31	**$**	**261,703**	**248,785**

(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, 2018 and 2017 were as follows:

	For the years ended December 31,		
		2018	**2017**
Fair value of plan assets as of January 1	$	156,655	165,439
Interest income		2,581	2,305
Remeasurements of the net defined benefit liabilities			
－Return on plan assets (excluding current interest)		3,681	(783)
Contributions made		7,414	7,273
Benefits paid from plan assets		(1,419)	(17,579)
Fair value of plan assets as of December 31	**$**	**168,912**	**156,655**

(d) Expenses recognized in profit or loss

The Company’ s expenses recognized in profit or losses for the years ended December 31, 2018 and 2017, were as follows:

	For the years ended December 31,		
		2018	**2017**
Current service costs	$	733	377
Net interest on the net defined benefit liabilities		1,436	1,303
	$	**2,169**	**1,680**

(Continued)

(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, 2018 and 2017 were as follows:

	For the years ended December 31,	
	2018	**2017**
Cumulative amount as of January 1	$ (156,273)	(156,868)
Recognized for the period	(5,906)	595
Cumulative amount as of December 31	**$ (162,179)**	**(156,273)**

(f) Actuarial assumptions

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

	December 31, 2018	**December 31, 2017**
Discount rate	1.375%	1.625%
Future salary increase rate	4.000%	4.000%

The Company expects to make a contribution of $7,346 to its defined benefit plans in the following year, beginning December 31, 2018.

The weighted-average duration of the defined benefit obligation is 16.11 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2018, 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	$ (8,594)	8,986
Future salary increase rate	$ 8,609	(8,295)

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, 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.

(Continued)

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 Company's pension costs to the Bureau of Labor Insurance under the defined contribution plan were $113,177 and $103,740 for the years ended December 31, 2018 and 2017, respectively.

(12) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the R.O.C. on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

A. Income tax expenses:

The amount of income tax expenses for the years ended December 31, 2018 and 2017, was as follows:

	For the years ended December 31,	
	2018	**2017**
Current income tax expense		
Current period	$ 415,199	367,319
10% surtax on unappropriated retained earnings	38,216	41,056
Adjustment for prior period	93,865	(29,983)
	547,280	378,392
Deferred income tax expense		
Origination and reversal of temporary differences	(427,331)	59,360
Adjustment in tax rate	(18,405)	-
	(445,736)	59,360
Income tax expenses	$ 101,544	437,752

The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	For the years ended December 31,	
	2018	**2017**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	$ (1,181)	101
Unrealized gains or losses from investments in equity instruments measured at FVOCI	992	-
	$ (189)	101

(Continued)

	For the years ended December 31,		
	2018		2017
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	$	(28,086)	(21,530)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2018 and 2017 was as follows:

	For the years ended December 31,		
	2018		2017
Income before income tax	$	2,030,889	2,501,442
Income tax at the Company's domestic tax rate	$	406,178	425,245
Non-deductible expenses and others		172,784	80,703
Change in unrecongnized deductible temporary differences		(551,094)	-
Tax-exempt income		(40,000)	(79,269)
Adjustment in tax rate		(18,405)	-
10% surtax on unappropriated retained earnings		38,216	41,056
Over (under)-provision in prior periods		93,865	(29,983)
Total	$	101,544	437,752

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2018 and 2017, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2018		December 31, 2017
The temporary differences associated with investments in subsidiaries (tax amount):			
Unrecognized deferred tax liabilities	$	551,094	-

(Continued)

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Others	Total
Balance as of January 1, 2018	$ 26,829	27,288	20,377	32,005	5,205	108,380	220,084
Recognized in profit or loss	138	16,565	-	(1,799)	(5,205)	(2,221)	7,478
Recognized in other comprehensive income	-	-	28,086	-	-	1,181	29,267
Balance as of December 31, 2018	**$ 26,967**	**43,853**	**48,463**	**30,206**	**-**	**107,340**	**256,829**
Balance as of January 1, 2017	$ 23,975	32,267	-	52,464	-	84,599	193,305
Recognized in profit or loss	2,854	(4,979)	-	(20,459)	5,205	23,882	6,503
Recognized in other comprehensive income	-	-	20,377	-	-	(101)	20,276
Balance as of December 31, 2017	**$ 26,829**	**27,288**	**20,377**	**32,005**	**5,205**	**108,380**	**220,084**

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Financial assets at fair value through other comprehen-sive income	Unrealized foreign exchange gain or loss	Total
Balance as of January 1, 2018	$ (564,478)	-	-	-	(564,478)
Recognized in profit or loss	439,482	-	-	(1,224)	438,258
Recognized in other comprehensive income	-	-	(992)	-	(992)
Balance as of December 31, 2018	**$ (124,996)**	**-**	**(992)**	**(1,224)**	**(127,212)**
Balance as of January 1, 2017	$ (493,429)	(1,153)	-	(5,186)	(499,768)
Recognized in profit or loss	(71,049)	-	-	5,186	(65,863)
Recognized in other comprehensive income	-	1,153	-	-	1,153
Balance as of December 31, 2017	**$ (564,478)**	**-**	**-**	**-**	**(564,478)**

C. The Company’ s tax returns have been examined by the tax authorities through 2016, except for the income tax return for 2015, which is still under review by the tax authorities.

(13) Capital and other equity interest

A. Issuance and cancellation of ordinary shares

As of December 31, 2018 and 2017, 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 $3,738,751 and $3,667,772, respectively.

(Continued)

As of December 31, 2018, the Company cancelled 238 thousand shares of restricted stock awarded to its employees, of which, 206 thousand shares had already been cancelled on December 20, 2018, with the completion of the registration procedures on January 4, 2018. The new ordinary shares of stock totaling 15,537 thousand shares were issued from the conversion of convertible bonds, which were accounted for under advance receipts for share capital as the registration procedures were yet to be completed as of December 31, 2018.

As of December 31, 2017, the Company cancelled 253 thousand shares of restricted stock awarded to its employees, of which, 193 thousand shares had already been cancelled on December 21, 2017, with the completion of the registration procedures on January 3, 2018. In addition, the Company issued 510 thousand shares of restricted stock awards and 2,809 new ordinary shares from the conversion of convertible bonds for the year ended December 31, 2017.

Pursuant to a shareholders' resolution on June 15, 2018, the Company increased its ordinary share capital by 7,336 thousand shares through the transfer of stock dividends of $73,355. The effective date of the capital increase was August 15, 2018, which has already been registered with the government authorities.

Pursuant to a shareholders' resolution on June 16, 2017, the Company increased its ordinary share capital by 10,594 thousand shares through the transfer of stock dividends of $105,935. The effective date of the capital increase was August 16, 2017, which has already been registered with the government authorities.

B. Capital surplus

	December 31, 2018	December 31, 2017
Capital surplus－premium	$ 2,410,165	2,287,600
Treasury stock sold to employees	100,454	100,454
Conversion options of bonds	77,169	117,826
Restricted stock awards	120,694	240,289
Convertible bonds payable－premium	1,268,472	276,742
Capital surplus from merger	36,653	36,653
Due to donated assets received	76	-
	$ 4,013,683	3,059,564

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, 2018 and 2017.

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. Pursuant to the shareholders' meeting on June 15, 2018, the Company appropriated to reduce its of shareholders' equity amounting to $45,225 as special reserve.

(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.

(Continued)

The following are the appropriation of earnings in 2017 and 2016 which were approved during the shareholders' meeting held on June 15, 2018 and June 16, 2017, respectively:

	2017		2016	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.7003	1,357,075	3.6672	1,306,534
Shares	0.2000	73,355	0.2973	105,935
		$ 1,430,430		1,412,469

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 2018 will be presented for resolution in the Board of Directors' meeting on March 13, 2019 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meeting.

(14) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2018, is as follows:

	Restricted stock awards	
	Issued in 2017	**Issued in 2016**
Grant date	July 3, 2017	November 1, 2016
Granted units (thousands)	510	6,990
Contractual life	1~3 years	1~3 years
Recipients	Employees	Employees
Vesting condition	Note	Note
Price per share (TWD)	0	0
Adjusted exercise price (TWD)	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.

(Continued)

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 2017	**Issued in 2016**
Exercise price (TWD)	0	0
Current market price at grant date (TWD)	90.8	87
Expected cash dividend yield	0%	0%
Expected volatility	25.02%/33.90%/ 33.56%	31.45%/36.72%/ 34.31%
Risk-free interest rate	0.23%/0.25%/ 0.28%	0.23%/0.25%/ 0.28%
Expected remaining contractual life of the awards	1~3 years	1~3 years

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 March 15, 2017 and August 10, 2016, the Board of Directors approved a resolution to issue 510 thousand shares and 6,990 thousand shares, respectively, of restricted stock awards to its employees. The effective dates of the capital increase were July 3, 2017 and November 1, 2016, 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, 2017, the Company issued the restricted stock awards of 510 thousand shares to its employees, which resulted in a capital surplus—restricted stock awards of $24,902. For the years ended December 31, 2018 and 2017, 238 thousand shares and 253 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $2,360 and $2,530, respectively. As the vesting period ended in November 2018, the Company decided to retrieve its restricted stock awards for its employees who failed to qualify certain requirements, as well as its cash and stock dividend generated from the above mentioned restricted stock awards. Therefore, the retrieved cash dividend amounted to $296, and the stock dividends of 2 thousands were cancelled in December 2018. As of December 31, 2018 and 2017, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $10,885 and $168,132, respectively. Such deferred amounts were recorded as deduction of other equity.

(Continued)

For the year ended December 31, 2018, the Company recognized the salary costs of $641 and $1,224, respectively, from the distribution of cash and stock dividends to its employees, which are using non-vesting conditions from the issuance of restricted stock awards from the prior period earnings in 2017 and 2016. Such unrealized salary costs were credited under capital surplus and retained earnings amounting to $609 and $1,256, respectively.

(15) Earnings per share

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

	For the years ended December 31,	
	2018	**2017**
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,929,345	2,063,690
Weighted-average number of ordinary shares (in thousands)	370,219	358,251
Basic earnings per share (TWD)	$ 5.21	5.76
Basic earnings per share－retrospectively adjusted (TWD)		$ 5.65
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,929,345	2,063,690
Interest expense on convertible bonds, net of tax	11,853	14,733
Net income attributable to ordinary shareholders of the Company (diluted)	1,941,198	2,078,423
Weighted-average number of ordinary shares (in thousands) (basic)	370,219	358,251
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee stock remuneration	3,476	3,843
Effect of unvested restricted stock awards	3,672	4,079
Effect of conversion of convertible bonds	14,922	16,111
Weighted-average number of ordinary shares (in thousands) (diluted)	392,289	382,284
Diluted earnings per share (TWD)	$ 4.95	5.44
Diluted earnings per share－retrospectively adjusted (TWD)		$ 5.33

(Continued)

(16) Revenue from contracts with customers

		For the year ended December 31, 2018
Revenues from major regional markets:		
Americas	$	30,209,081
Asia		14,397,700
Europe		10,263,783
Others		119,835
	$	54,990,399
Revenue from major products:		
Wireless communication products	$	52,172,761
Others		2,817,638
	$	54,990,399

Please refer to note 6(17) for the amount of operating revenue for the year ended December 31, 2017.

(17) Operating revenues

		For the year ended December 31, 2017
Wireless communication products	$	52,320,248
Others		2,879,133
	$	55,199,381

Please refer to note 6(16) for the amount of operating revenue for the year ended December 31, 2018.

(18) Remuneration to employees and directors

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

(i) No less than 5%, by shares or in cash, as employee remuneration; employees of controlled companies who meet specific requirements set by the Board of Directors can also be included.

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

The remunerations to employees amounted to $222,377 and $273,901, as well as the remunerations to directors amounted to $15,884 and $19,564 for the years ended December 31, 2018 and 2017, 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 2018 and 2017.

(19) Non-operating income and expenses

A. Other income

	For the years ended December 31, 2018		2017
Dividend income	$	33,703	20,016
Interest income:			
Interest income from bank deposits		21,022	17,179
Rental income (note 6(11))		5,205	7,446
Reversal of doubtful accounts recorded in other income		-	1,246
Others		100,464	138,655
	$	160,394	184,542

B. Other gains and losses

	For the years ended December 31, 2018		2017
Foreign exchange gains (losses), net	$	55,559	(110,505)
Gain on disposal of investments		-	1,001
Gain on disposal of property, plant and equipment		18	1,736
Gain on disposal of non-current assets held for sale		-	93,141
Impairment loss on financial assets		-	(28,305)
Net gain on financial assets and liabilities at FVPTL		7,050	-
	$	62,627	(42,932)

(Continued)

C. Finance costs

	For the years ended December 31,		
		2018	2017
Interest expense – short-term borrowings	$	54,163	46,621
Interest expense – bonds payable (note 6(9))		14,817	17,751
Interest expense – lease obligations payable		106	150
	$	69,086	64,522

(20) Financial instruments

A. Credit risk

As of the reporting date, the Company’ s maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the 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:

		Carrying amount	Contractual cash flows	Within 1 year	1~2 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$	1,642,041	1,643,990	1,643,990	-
Unsecured variable-rate bank loans		622,829	624,427	624,427	-
Unsecured convertible bonds payable		82,000	82,000	82,000	-
	$	2,346,870	2,350,417	2,350,417	-

		Carrying amount	Contractual cash flows	Within 1 year	1~2 years
December 31, 2017					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$	1,609,577	1,612,258	1,612,258	-
Unsecured variable-rate bank loans		617,070	617,826	617,826	-
Unsecured convertible bonds payable		1,173,627	1,189,800	-	1,189,800
	$	3,400,274	3,419,884	2,230,084	1,189,800

(Continued)

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

	December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 429,490	30.733	13,199,509
Investments accounted for using equity method			
USD	224,261	30.733	6,892,209
Financial liabilities			
Monetary items			
USD	375,078	30.733	11,527,262

	December 31, 2017		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 372,699	29.848	11,124,314
Investments accounted for using equity method			
USD	209,396	29.848	6,250,055
Financial liabilities			
Monetary items			
USD	293,864	29.848	8,771,260

(b) Sensitivity analysis

The Company’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.

(Continued)

A fluctuation in the TWD/USD exchange rate on December 31, 2018 and 2017, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2018 and 2017 as illustrated below:

	Range of the fluctuations	For the years ended December 31, 2018	2017
TWD exchange rate	Depreciation of TWD 1 against the USD	$ 43,530	65,433
	Appreciation of TWD 1 against the USD	$ (43,530)	(65,433)

(c) Foreign exchange gains or losses on monetary items

Information on the foreign exchange gains or losses, including these realized and unrealized by significant foreign currency, were as follows:

	For the years ended December 31, 2018		2017	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
TWD	$ 55,559	-	(110,505)	-

D. Interest rate analysis

The Company' 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 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, 2018 and 2017, as illustrated below:

	Range of the fluctuations	For the years ended December 31, 2018	2017
Annual interest rate	Increase of 1%	$ (4,983)	(5,122)
	Decrease of 1%	$ 4,983	5,122

E. Other market price risk

If the price of equity securities in the reporting date rises or falls by 1%, and the other variables remain constant, the annual other comprehensive income would have increase or decrease by $6,933 and $26,325 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at FVTPL and financial assets at FVOCI (available-for-sale financial assets) is measured on a recurring basis. The Company'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, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 344,362	344,362	-	-	344,362
Financial assets at FVOCI					
Domestic listed stocks	$ 599,008	599,008	-	-	599,008
Foreign unlisted stocks	117,821	-	-	117,821	117,821
	$ 716,829	599,008	-	117,821	716,829
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,566,755	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,904,653	-	-	-	-
Other financial assets – current	70,608	-	-	-	-
Refundable deposits	12,664	-	-	-	-
	$ 14,554,680	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,264,870	-	-	-	-
Notes and accounts payable (including related parties)	9,357,883	-	-	-	-
Bonds payable (recorded in long-term liabilities, current portion)	82,000	91,430	-	-	91,430
	$ 11,704,753	91,430	-	-	91,430

(Continued)

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Beneficiary certificates – mutual funds	$ 1,924,841	1,924,841	-	-	1,924,841
Domestic listed stocks	707,609	707,609	-	-	707,609
	$ 2,632,450	2,632,450	-	-	2,632,450
Loans and receivables					
Cash and cash equivalents	$ 2,461,044	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	10,426,049	-	-	-	-
Other financial assets – current	69,542	-	-	-	-
Refundable deposits	3,294	-	-	-	-
	$ 12,959,929	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,226,647	-	-	-	-
Notes and accounts payable (including related parties)	6,644,258	-	-	-	-
Bonds payable	1,173,627	1,365,890	-	-	1,365,890
	$ 10,044,532	1,365,890	-	-	1,365,890

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

The Company estimates its 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.

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

The Company held its financial instruments presented as beneficiary certificates – mutual funds, domestic listed stocks and 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.

(Continued)

Except for the above financial instruments with an active market, the Company estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI - equity investments without an active market
Balance as of January 1, 2018	$ -
Effect of retrospective application	112,862
Total gains and losses	
Recognized in other comprehensive income	4,959
Balance as of December 31, 2018	**$ 117,821**

Resulting from the recognized total gains and losses above, the gains from financial assets at FVOCI as of December 31, 2018 amounted to $4,959.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI–equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

(Continued)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI - equity investments without an active market	Market approach	• Price-to-sales ratio (2018.12.31: 1.09~18.90) • Price-equity ratio (2018.12.31: 2.90~3.09) • Discount for lack of marketability (2018.12.31: 80%)	• The higher the price-to-sales ratio, the higher the fair value. • The higher the price-equity ratio, the higher the fair value. • The higher the discount for lack of marketability, the lower the fair value.

(21) Financial risk management

A. Overview

The Company 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 Company’ s exposure to each of the above risks, the Company’ s objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these parent-company-only financial statements.

B. Objectives and policies for managing risk

Other than derivative financial instruments, the main financial instruments of the Company 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 Company, include accounts receivable and payable, which are generated from operating activities.

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

In accordance with a reviewed policy, the Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, receivables, beneficiary certificates－mutual funds, and investments.

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

The Company continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Company 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, 2018 and 2017, the Company had no concentration of credit risk arising from sales transactions. The Company evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

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

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. For related information about endorsement guarantee, please refer to notes 7 and 13.

D. Liquidity risk

Liquidity risk is the risk that the Company 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 Company 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 Company's exposures to risk from changes in interest rates arise primarily from the Company's bank loans with floating interest rates.

(Continued)

(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 Company's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a currency different from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

To achieve foreign currency risk management, the Company hedges its forecast sales and purchases over the following three months. The Company 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 Company'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, EUR and GBP 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 Company'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 Company 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 Company 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 Company's approach to capital management during the year ended December 31, 2018.

(Continued)

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 15,572,445	13,611,482
Less: cash and cash equivalents	(1,566,755)	(2,461,044)
Net debt	$ 14,005,690	11,150,438
Total equity	$ 15,849,211	14,221,639
Debt-to-adjusted-capital ratio	88.37%	78.40%

As of December 31, 2018, the debt-to-adjusted-capital ratio had increased due to the accounts payable which were derived from the Company's purchases, resulting in an increase in the Company's liabilities.

(23) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes	
	January 1, 2018	Cash flow	Other changes	December 31, 2018
Short-term borrowings	$ 2,226,647	38,223	-	2,264,870
Bonds payable (recorded in long-term liabilities, current portion)	1,173,627	-	(1,091,627)	82,000
	$ 3,400,274	38,223	(1,091,627)	2,346,870

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the parent-company-only financial statements.

Name of related parties	Relationship with the Company
ANC Holding Corporation (ANCH)	The subsidiary of the Company
NeWeb Holding Corporation (NEWH)	The subsidiary of the Company
W-NeWeb Corporation (NUSA)	The subsidiary of the Company
WNC Holding Corporation (WNCH)	The subsidiary of the Company
WNC GmbH (NDE)	The subsidiary of the Company
WNC UK Limited (NUK)	The subsidiary of the Company
WNC JAPAN Inc. (NJP)	The subsidiary of the Company

(Continued)

Name of related parties	Relationship with the Company
Webcom Communication (Kunshan) Co., Ltd. (NYC)	The subsidiary of the Company
WNC (Kunshan) Corporation (NQJ)	The subsidiary of the Company
NeWeb Service (Kunshan) Corporation (NQC)	The subsidiary of the Company
Wistron NeWeb (Kunshan) Corporation (NQX)	The subsidiary of the Company
NeWeb Communication (Kunshan) Corporation (NQY)	The subsidiary of the Company
Wistron Corporation (Wistron)	The entity with significant influence over the Company
Wistron InfoComm (CHONGQING) Co., Ltd. (WCQ)	The subsidiary of the entity with significant influence over the Company
Wistron InfoComm (Chengdu) Co., Ltd. (WCD)	The subsidiary of the entity with significant influence over the Company
Wiwynn Corporation (WYHQ)	The subsidiary of the entity with significant influence over the Company
COWIN WORLDWIDE CORPORATION (COWIN)	The subsidiary of the entity with significant influence over the Company
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	The subsidiary of the entity with significant influence over the Company
Wistron InfoComm (Zhongshan) Corporation (WZS)	The subsidiary of the entity with significant influence over the Company
Wistron Service (Kunshan) Corporation (WSKS)	The subsidiary of the entity with significant influence over the Company
International Standards Labs. (ISL)	The subsidiary of the entity with significant influence over the Company
WiAdvance Technology Corporation (AGI)	The subsidiary of the entity with significant influence over the Company
AII Holding Corporation (AIIH)	The subsidiary of the entity with significant influence over the Company
SMS Infocomm Corporation (WTX)	The subsidiary of the entity with significant influence over the Company
KunShan ChangNun Precision Die Casting Co., Ltd. (WQN)	An associate of the Company

(Continued)

(2) Significant related-party transactions

A. Operating revenue

Related Party Categories	For the years ended December 31, 2018	2017
Subsidiaries:		
NUSA	$ 7,113,933	11,574,861
Other subsidiaries	1,847,785	2,621,654
Entity with significant influence over the Company	2,134	1,836
Other related parties	319,991	240,103
	$ 9,283,843	14,438,454

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.

As of December 31, 2018 and 2017, the unrealized profit or loss from sales with the investees under equity method amounted to $151,031 and $188,262, respectively, which were deducted from the investments accounted for using the equity method.

B. Purchases

Related Party Categories	For the years ended December 31, 2018	2017
Subsidiaries:		
NQX	$ 19,427,979	16,599,349
NQJ	11,294,918	14,283,998
Other subsidiaries	1,469,549	1,323,253
Associate	60	-
Other related parties	-	1,001
	$ 32,192,506	32,207,601

Since the purchasing of the products from subsidiaries is different from that of the unrelated vendors, the pricing and terms cannot be compared. The pricing and terms for purchases to associates are similar to those of the unrelated vendors.

(Continued)

C. Accounts receivable from related parties

Related Party Categories		December 31, 2018	December 31, 2017
Subsidiaries:			
NUSA	$	2,760,694	2,883,519
Other subsidiaries		419,706	461,496
Entity with significant influence over the Company		1,028	600
Other related parties		150,170	105,057
	$	3,331,598	3,450,672

D. Accounts payable to related parties

Related Party Categories		December 31, 2018	December 31, 2017
Subsidiaries:			
NQX	$	2,570,116	2,272,934
NQJ		2,521,509	1,656,326
Other subsidiaries		366,451	22,533
Associate		27	-
Other related parties		-	703
	$	5,458,103	3,951,793

For the years ended December 31, 2018 and 2017, the Company transferred raw materials to its subsidiaries at a cost amounting to $295,706 and $188,293, respectively. The Company did not recognize the above transfers as sales revenue and cost of goods sold. As of December 31, 2018 and 2017, the receivables resulting from the above transactions and the payables to subsidiaries were offset to a net balance.

E. Property Transactions

(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 Categories		For the years ended December 31, 2018	2017
Subsidiaries	$	31,081	29,396
Associate		8,236	11,829
	$	39,317	41,225

(Continued)

Related Party Categories	December 31, 2018	December 31, 2017
Subsidiaries	$ 4,312	27,441
Associate	2,757	1,174
	$ 7,069	28,615

(b) Acquisition of intangible assets

The amount of acquisition of intangible assets from related parties and the related unpaid balances were as follows:

	For the years ended December 31,	
Related Party Categories	2018	2017
Other related parties	$ 54,804	-

Related Party Categories	December 31, 2018	December 31, 2017
Other related parties	$ 37,200	-

F. Other transactions

(a) The amounts paid by the Company to its related parties for administrative and repair expenses, and the related unpaid balances were as follows:

	For the years ended December 31,	
Related Party Categories	2018	2017
Subsidiaries	$ 115,887	125,197
Entity with significant influence over the Company	6,066	2,853
Other related parties	5,915	1,888
Associate	902	1,210
	$ 128,770	131,148

Related Party Categories	December 31, 2018	December 31, 2017
Subsidiaries	$ 12,845	11,682
Entity with significant influence over the Company	1,047	507
Other related parties	552	134
Associate	834	251
	$ 15,278	12,574

(Continued)

(b) Advances from related parties

The related parties paid certain expenses on behalf of the Company including freight, equipment and customs expenses, and the related unpaid balances as follows:

Related Party Categories	December 31, 2018	December 31, 2017
Subsidiaries	$ 40,216	47,546

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

	For the years ended December 31,			
	2018		2017	
Related Party Categories	Amount of the transaction	Accounts payable to related parties	Amount of the transaction	Accounts payable to related parties
Entity with significant influence over the Company	$ 2,356	207	1,417	129

As of December 31, 2018, the Company paid the refundable deposits (derived from the operating leases) to its related parties amounting to $96.

(d) For the years ended December 31, 2018 and 2017, the Company had received the cash dividend and stock dividend from its related parties amounting to $41,082 and $21,898, respectively. As of December 31, 2018 and 2017, the receivables resulting from the above transactions had been settled.

G. Endorsement Guarantee

As of December 31, 2018 and 2017, the Company’s endorsement guarantee provided to subsidiaries amounted to $307,330 and $373,100, respectively.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$ 175,262	140,624
Post-employment benefits	1,561	1,445
Share-based payment	50,214	54,925
	$ 227,037	196,994

Please refer to note 6(14) for further information on share-based payment.

(Continued)

8. Pledged Assets

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

Assets	Purpose of Pledged	December 31, 2018	December 31, 2017
Time deposits (recorded in other financial assets－current)	Guarantees for land lease agreements	$ 20,000	20,000
Time deposits (recorded in other financial assets－current)	Guarantees for dormitory lease agreements	2,500	2,500
		$ 22,500	22,500

9. Significant Commitments and Contingencies

Except for note 6(10), the Company entered into agreement with the Institute for Information Industry which provided a promissory note amounting to $52,500 as of December 31, 2018.

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, 2018			For the year ended December 31, 2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	1,036,815	2,346,043	3,382,858	886,783	2,279,072	3,165,855
Labor and health insurance	80,979	139,513	220,492	74,429	129,838	204,267
Pension	33,937	81,409	115,346	32,144	73,276	105,420
Remuneration of directors	-	16,504	16,504	-	20,274	20,274
Others	92,680	76,261	168,941	75,227	73,972	149,199
Depreciation	331,189	216,543	547,732	286,574	235,806	522,380
Amortization	9,745	83,727	93,472	6,868	47,922	54,790

The number of employees of the Company were 3,262 and 2,846, respectively, as of December 31, 2018 and 2017. There were 7 non-employee directors for both years.

13. Segment Information

Please refer to consolidated financial statements for the years ended December 31, 2018.

7 Financial Analysis, Financial Performance Analysis, and Risk Management

7.1. Financial Analysis (Consolidated)

Financial Analysis

Unit: Thousand NT$

Item	2018	2017	Increase/decrease amount	Change percentage (%)
Current assets	25,793,877	23,448,048	2,345,829	10.00
Property, plant, and equipment	6,353,679	5,620,272	733,407	13.05
Intangible assets	224,088	49,557	174,531	352.18
Other assets	792,508	814,465	(21,957)	(2.70)
Total assets	33,164,152	29,932,342	3,231,810	10.80
Current liabilities	17,094,483	13,878,386	3,216,097	23.17
Non-current liabilities	220,458	1,832,317	(1,611,859)	(87.97)
Total liabilities	17,314,941	15,710,703	1,604,238	10.21
Capital stock	3,894,121	3,667,772	226,349	6.17
Capital surplus	4,013,683	3,059,564	954,119	31.18
Retained earnings	8,346,593	7,815,783	530,810	6.79
Other equity	(405,186)	(321,480)	(83,706)	26.04
Total equity	15,849,211	14,221,639	1,627,572	11.44

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

"Intangible assets" increased mainly due to the purchase of computer software.

"Current liabilities" increased mainly due to increases in accounts and notes payable.

"Non-current liabilities" decreased mainly due to the conversion of corporate bonds and those due to expire within a year to current liabilities.

"Capital surplus" increased mainly due to the conversion premium of corporate bonds.

"Other equity" increased mainly due to the exchange difference during conversion of financial reports of overseas subsidiaries.

7.2. Financial Performance Analysis (Consolidated)

Financial Performance Analysis

Unit: Thousand NT$

Item	2018	2017	Increased/ decreased amount	Change percentage (%)
Net operating revenues	56,049,676	56,889,794	(840,118)	(1.48)
Operating costs	48,937,009	49,264,798	(327,789)	(0.67)
Gross profit	7,112,667	7,624,996	(512,329)	(6.72)
Operating expenses	5,096,594	5,063,686	32,908	0.65
Net operating income	2,016,073	2,561,310	(545,237)	(21.29)
Total non-operating income and expenses	209,513	129,324	80,189	62.01
Income before income tax	2,225,586	2,690,634	(465,048)	(17.28)
Income tax	296,241	626,944	(330,703)	(52.75)
Net income	1,929,345	2,063,690	(134,345)	(6.51)

Analysis of items whose increased or decreased amounts are above 20%:
"Net operating income" decreased mainly due reduction in gross profit.
"Total non-operating income and expenses" increased mainly due to increase in the foreign exchange gain of foreign currency.
"Income tax" decreased mainly due to the liability reversal of the deferred tax in the temporary differences associated with investments in subsidiaries.

The estimated sales quantities and the basis of the estimation, which may influence the company's finance and business in the future, and strategies in response:

WNC's products cover a wide range of applications, with large price differentials across diverse products. Therefore it's not appropriate to use sales quantity as a basic metric. WNC, as a leader in the integration of wireline and wireless communications technologies, will continue devoting resources into new technologies and new product development to retain its leading position in the industry. WNC accelerates upgrades of cross-platform hardware and software integration capabilities and provides continuous development of key communications technologies. With years of experience in antenna design, system integration and applicable interface development, WNC aims to provide professional and flexible communications solutions for the IoT. We will continue promoting IE 4.0 from a macro management perspective to strengthen operational management efficiency and competitiveness.

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 generated from operating activities	Cash flows of investing and financing activities	Effect of exchange rate changes	Cash at end	Contingency plans for insufficient cash position	
					Investing activities	Financing activities
3,714,831	799,026	(2,069,504)	(90,257)	2,354,096	-	-

■ Cash flow analysis:

The positive net cash flows generated from operating activities of NT$799 million was mainly due to operating profit.
The negative net cash flows used in investing activities of NT$645 million was mainly due to the purchase of the new plant (S2) in the Tainan Science Park.
The negative net cash flows used in financing activities of NT$1.425 billion was mainly due to cash dividend payments.

■ Remedial Actions for Liquidity Shortfall: None

7.3.2. Cash Flows Projection for the Next Year:

WNC's policy is to maintain stable cash flow. It regularly assesses its account cash balance and the cash flow of its operating activities, investment activities, and financing activities, and also assesses the status of the financial market, carefully planning and managing its cash flow to ensure the sufficiency and suitability of capital required for business operations.

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	Anticipated amount of capital required	Actual or anticipated use of capital	
			2018	2019
Purchase of plant and renovation work	Cash flow generated from operations	1,160,000	980,000	180,000

7.4.2. Effects of Significant Capital Expenditures on Financial Operations

The significant capital expenditures above are in line with WNC's mandate to expand its production capacity in Taiwan to meet requirements for global production capacity deployment planning as well as business development.

7.5. Policy for Investment

WNC's policy for investment is to target long-term strategic investment. In 2018, the investment loss recognized under the equity method was NT$2.496 million. In the future, WNC will continue to carefully evaluate the investment plan for adherence to this principle of long-term strategic investment.

7.6. Risk Management

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

Unit: Thousand NT$

Item	2018
Interest income	34,388
Interest expense	82,043
Exchange gain/(loss)	72,047

WNC had around NT$2.8 billion in cash and short-term investment funds as of the end of 2018; we invested the surplus funds after considerable evaluation of the risks involved while closely monitoring fluctuations in bank lending rates regularly to reduce interest rate risks.
Approximately 96.05% of WNC's revenue was from export sales, and most of the export-sale 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 (a natural hedge). 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 on WNC during the past year.
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? 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. The goal of such transactions is to avoid most market price risks.
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. Research and development planning

■ Future research and development plans

Category	Items
Microwave communications product series	• Mobile high-frequency satellite two-way communications receivers • Next-generation microwave mobile broadband bridges
Mobile and home communications product series	• Next-generation mobile communications routers • 802.11ax mesh Wi-Fi routers • 10G PON gateways • Automotive AI image sensors • C-V2X communications modules • Wireless space sensors • Wireless XR high-bandwidth communications modules • Wireless long-range high-bandwidth communications receivers and antennas

■ Revenue to be invested in research and development

WNC will continue to invest in equipment for the above-mentioned products and recruit outstanding research and development personnel for innovation and development in order to maintain a leading role in the technologies involved, taking full advantage of market opportunities. In view of this, it is estimated that 4% of WNC's revenues will be invested in research and development in 2019.

7.6.4. The impact of legal and regulatory changes on WNC

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

7.6.5. Impact of technological and industrial changes on WNC

WNC strictly observes the terms laid out in its contracts with customers. To implement management and control of confidential information, WNC has stipulated information safety policies and established the Information Security Committee in 2014, which is responsible for formulating and implementing various information protection measures. There are three function team under the Information Security Committee: the Information Safety Implementation Team, the Emergency Response Team, and the Information Safety Auditing Team. An Information Security Officer serves as the leader for all three teams. The Information Security Committee is composed of top-tier managers from various units, with the President & CEO serving as the convener. The highest ranking manager of the Digital Management Information Systems Division serves as the Information Security Officer. The Committee holds a management and review meeting once every half year to ensure that information security policies and related regulations are promoted and implemented, as well as respond to the risk assessment procedures and assessment results that the Information Safety Implementation Team has proposed to prevent confidential information belonging to WNC or its customers from being leaked. The Audit Office is responsible for reviewing and tracking the implementation status of various information security processes, and reports the results of the reviews and tracking to the BOD. In 2018, there were zero cases of customers taking legal action against WNC over issues regarding confidential information.

■ To enhance WNC's information safety and carry out digital transformation, WNC has started and is continuing the implementation of the projects listed below:

- Data Loss Prevention (DLP) System: This system has been implemented to enhance the real-time monitoring of potential channels for information leakage and intercepting any leakage, as well as to provide basic protection for employees accessing the Internet by ensuring that it is safe for computers in WNC to exchange information with external sources. The DLP system utilizes content filtering and comparison functions to monitor and control how users transfer confidential information. Content monitored includes patents, intellectual property, R&D data, and financial data to ensure that confidential customer information is not leaked.

- Privileged Identity Management (PIM): This system protects against any establishment of backdoor accounts and prevents account/password stealing. To comply with the requirements of information safety management and audits, the PIM system actively monitors and controls the activity of accounts with access privileges, including access control of connections, tracking of connection records, and event review.
- M365 Management and Control System: This system improves the security and ensures the integrity of WNC information when WNC employees use mobile devices to access WNC information systems and services. The high fault tolerance and reliability of cloud platforms are used to enhance the deployment of this system.
- Document Encryption Protection System: This system provides encryption for sensitive documents in WNC. If an encrypted document is sent to external locations without authorization, it will be rendered unusable.
- Internal Network Optimization Project: This projects focuses on the establishment of highly usable and secure network frameworks and security mechanisms to prevent interruptions to operations from single error events.
- Internal Network Access Control: This system restricts access to WNC's network to computers and devices designated as WNC assets to improve network safety.

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

N/A.

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

N/A. 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 greater than 10% 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 risk and negative impact of management changes on company operations are 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:

None.

7.6.13. Other risks

None.

7.7. Other Important Matters

None.

8 Special Disclosure

8.1. Summary of Affiliated Companies

8.1.1. Organizational Chart

As of Dec. 31, 2018

Wistron NeWeb Corporation

Stake held	100%	100%	100%	100%	100%	100%	100%
Shares held (Share)	1,600	2,633,170	103,300,000	200,000	25,000	60,000	400
Amount (Thousand NT$)	52	84,212	3,251,521	6,944	966	3,049	5,272
Company	ANC Holding Corporation (BVI)	WNC Holding Corporation (Samoa)	NeWeb Holding Corporation (Samoa)	W-NeWeb Corporation (USA)	WNC GmbH (Germany)	WNC UK Limited (UK)	WNC Japan Inc. (Japan)

Stake held	100%	100%	100%	100%	100%
Shares held (Share)	-	-	-	-	-
Amount (Thousand NT$)	9,825	1,180,074	1,206,552	559,570	295,500
Company	NeWeb Service(Kunshan) Corporation	Wistron NeWeb (Kunshan) Corporation	WNC (Kunshan) Corporation	WebCom Communication (Kunshan) Corporation	NeWeb Communication (Kunshan) Corporation

8.1.2. Information Disclosure Statement for Affiliated Companies in Accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises":

Consolidated Financial Statements of Affiliated Companies

Representation Letter

The entities that are required to be included in the consolidated financial statements of affiliated companies of Wistron NeWeb Corporation as of and for the year which ended December 31, 2018, under the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises* are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements" that have been certified by the Financial Supervisory Commission, R.O.C. The information required to be disclosed is included in the consolidated financial statements. Consequently, Wistron NeWeb Corporation has not prepared a separate set of consolidated financial statements for affiliated companies.

Company Name: Wistron NeWeb Corporation

Chairman: Haydn Hsieh

Date: March 13, 2019

8.1.3. Business Scope of WNC and Its Affiliated Companies

The business scope of WNC and its affiliated companies includes the design, research and development, production, and sales of networking and communications products, as well as services for the products.

8.1.4. Affiliated Companies Information

As of December 31, 2018

Company	Date of Estab-lishment	Address	Capital Stock	Business Activities
WNC Holding Corporation	Oct. 9, 2001	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 2,633,170	Holding company
ANC Holding Corporation	Dec. 20, 2000	P.O.Box 3152, Road Town,Tortola,British Virgin Islands	USD 1,600	Sales of wireless communications products and electronic parts
NeWeb Holding Corporation	May 17, 2002	P.O.Box 217, Apia, Samoa	USD 103,300,000	Holding company
W-Neweb Corporation	Feb. 27, 2003	1525 McCarthy Blvd, Suite 206, Milpitas, CA 95035	USD 200,000	Sales of satellite communications product series and mobile communications product series
WNC GmbH	March 21,2012	-	EUR 25,000	Related services for wireless communications products
WNC UK Limited	June 4, 2014	Herschel House 58 Herschel Street Slough SL1 1PG	GBP60,000	Related services for wireless communications products
WNC Japan Inc.	Jan. 23, 2015	Yokohama Wise Next Shin Yokohama, 3F, 2-5-14 Shin-Yokohama Kohoku-ku Yokohama-shi, Kanagawa-ken, Japan	JPY 20,000,000	Related services for wireless communications products
WebCom Communi-cation (Kunshan) Corporation - Kunshan Plant	Nov. 14, 2003	121 DuJuan Rd., Precision Machinery Industrial Park, KunShan City, Jiangsu Province, P.R.C	USD 17,000,000	Sales of satellite communications product series and mobile communications product series
WNC (Kunshan) Corporation	March 1, 2004	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 38,000,000	Sales of satellite communications product series and mobile communications product series
Wistron NeWeb (Kunshan) Corporation	April 7, 2006	789 Yujinxiang Rd., Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 38,000,000	Sales of satellite communications product series and mobile communications product series
NeWeb Service (Kunshan) Corporation	Aug. 2, 2007	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 300,000	Sales of satellite communications product series and mobile communications product series
NeWeb Communi-cation (Kunshan) Corporation	Jan. 12, 2018	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 10,000,000	Sales of satellite communications product series and mobile communications product series

8.1.5. Shareholders in Common of WNC and Its Affiliated Companies with Deemed Control and Subordination: None.

8.1.6. Affiliated Companies' Directors, Supervisors, and Key Managers Information

As of Dec. 31, 2018

Company	Title	Name / Representative	Shareholding	
			Shares	%
WNC Holding Corporation	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh, Jeffrey Gau	2,633,170	100
ANC Holding Corporation	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh, Jeffrey Gau	1,600	100
NeWeb Holding Corporation	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh, Jeffrey Gau	103,300,000	100
W-Neweb Corporation	Director	Wistron NeWeb Corp. Representative: Feng-Yuh, Juang	200,000	100
WNC GmbH	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh	25,000	100
WNC UK Limited	Director	Wistron NeWeb Corp. Representative: Chun Lee	60,000	100
WNC Japan Inc.	Director	Wistron NeWeb Corp. Representative: Jeffrey Gau	400	100
WebCom Communication (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
WNC (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
Wistron NeWeb (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
NeWeb Service (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
NeWeb Communication (Kunshan) Corporation	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100

8.1.7. Affiliated Companies' Business Operations

Unit: Thousand NT$, except for EPS, which is in NT$ As of Dec. 31, 2018

Company	Capital	Total asset	Total liability	Net value	Operating revenue	Operation profit (loss)	Net income (loss)	EPS
Wistron NeWeb Corp.	3,894,121	31,421,656	15,572,445	15,849,211	54,990,399	1,432,790	1,929,345	5.21
ANC Holding Corp.	52	70,162	2,490	67,672	929,918	(9,917)	(334)	–
W-NeWeb Corp.	6,944	3,279,862	2,793,682	486,180	7,297,456	84,419	61,467	–
WNC GmbH	966	1	2,293	(2,292)	0	(370)	(370)	–
WNC UK Limited	3,049	23,018	4,469	18,549	66,615	6,056	4,851	–
WNC Japan Inc.	5,272	7,108	1,165	5,943	6,535	540	626	–
WNC Holding Corp.	84,212	123,405	0	123,405	0	(19)	(2,516)	–
NeWeb Holding Corp.	3,251,521	6,214,952	0	6,214,952	0	(1)	410,148	–
WebCom Communication (Kunshan) Corp.	559,570	2,465,310	1,167,989	1,297,321	3,940,061	58,657	64,878	–
WNC (Kunshan) Corp.	1,206,552	5,541,611	2,847,249	2,694,362	9,933,635	148,356	115,482	–
Wistron NeWeb (Kunshan) Corp.	1,180,074	5,886,221	3,993,480	1,892,741	19,705,275	293,218	212,483	–
NeWeb Service (Kunshan) Corp.	9,825	128,302	94,551	33,751	115,772	2,504	3,242	–
NeWeb Communication (Kunshan) Corporation	295,500	297,273	500	296,773	0	159	14,063	–

8.1.8. Affiliated Companies' Annual Reports

None

8.2. Private Placement Securities in 2018 and as of the Date of the Publication Date of this Annual Report: None

8.3. Status of WNC Common Shares and ADRs Acquired, Disposed of, and Held by Affiliated Companies: None

8.4. Other Necessary Supplements: None

9 Any Events in 2018 and as of the Publication Date of this Annual Report that Had Significant Impact on Shareholders' Rights or Security Prices as Defined by Item 3, Paragraph 2 of Article 36 of the Securities and Exchange Law of Taiwan: None

WNC

Wistron NeWeb Corp.