Wistron NeWeb Corp.

Stock Code: 6285

Wistron NeWeb Corporation

2017 Annual Report (Translation)

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

Publication Date: May 8, 2018

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

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

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

Headquarters:	20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan
Factory:	5 Lihsin Rd. VI, Hsinchu Science Park, Hsinchu 300, Taiwan
Tel.:	+886-3-666-7799

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

Address:	No. 158, Singshan Rd., Neihu Dist., Taipei 114, Taiwan		
Tel.:	+886-2-6600-7998	Website:	www.wnc.com.tw

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

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

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

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

Index

1. Letter to Shareholders

WNC has been integral to the networking and communications industry for years. Over the past decade, we have been committed to the market deployment, and technological and product development of new applications, including wireless communications, broadband networks, Internet of Vehicles (IoV), Internet of Things (IoT), and smart homes. Through our past efforts, we have achieved balanced growth in market development, technology research and development, manufacturing capabilities, and operations management while relentlessly pursuing improvement. Based on our existing technical capabilities, customer portfolio, and product mix, we will be able to overcome challenges, seek continued growth, and maintain stable profits going forward.

Financial and Operational Results

In 2017, WNC's consolidated revenue was NT$56.89 billion with an annual growth rate of 7.8%. Consolidated gross profit was NT$7.63 billion. Consolidated profit before tax was NT$2.69 billion with an annual growth rate of 2.3%, and consolidated profit after tax was NT$2.06 billion. Basic earnings per share were NT$5.76.

Research and Development Status

In the age of the IoT and AI, whether in automotive, home, business or industrial applications, interconnection and integration solutions are in great demand. As a leader in the integration of wireline and wireless communications technologies, WNC accelerates upgrades of cross-platform hardware and software integration capabilities and provides continuous development of key communications technology. 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.

WNC continues to excel in research and development, further solidifying our competitive edge. In 2017, we were honored with the Hsinchu Science Park R&D Accomplishment Award and Innovative Product Award, and climbed to 30th in the 2017 Top 100 in the number of granted patents to domestic legal entities. Furthermore, as of the end of the year, WNC has over 1,800 approved patents and patents pending.

Operation and Management

In 2017, overall operating results were slightly below our expectations due to the influence of exchange rates, material shortages, and adjustment in product launch schedules. In 2018, the global economy is expected to show slow growth, while simultaneously remaining volatile and unpredictable. The networking and communications industry is booming, but is also highly competitive and full of challenges, as technologies and products continue to evolve. In view of this, we will keep developing new technologies and products to maintain our leading position in the industry, and promote IE 4.0 from a macro management perspective to strengthen operational management efficiency and competitiveness.

In 2017, we were honored with the Award for International Trade—Contribution to Primary Emerging Market Expansion, and the gold award for the IT & IC manufacturing industry in the Taiwan Corporate Sustainability Report Awards. Also, we ranked among the top 50 enterprises in the "Large Enterprises" group for Excellence in CSR by the CommonWealth Magazine Group. We were also rated "Gold" by EcoVadis in overall CSR performance. We expect that through the "2017 Corporate Social Responsibility Report" which we will publish this June, our stakeholders will be fully briefed on our endeavors, achievements, and goals.

Future Outlook

In the forthcoming IoT era, which will be driven by the integration of hardware, software, the virtual and the physical, only vendors with solid technological expertise and abundant product development experience will survive. 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 commit ourselves to the four major development aspects of broadband access, smart home, industrial networking, and smart and connected transportation solutions. We will harness technology development trends, follow market demands, and collaborate with customers in launching specialized products that meet market requirements to continuously foster customer satisfaction and long-term partnerships.

As we face a highly competitive market and more diverse customer needs, we will adhere to our "Advocacy of Fundamental Values and Pragmatism" as core values. We will 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, located on Dongda Rd., Hsinchu, Taiwan.
April	1997	Established manufacturing plant on Fenggang Rd., in Zhubei City.
April	1998	Obtained ISO 9001 certification.
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
June	2000	Bluetooth product series honored with the Best Product Award at Computex Taipei 2000.
July	2000	Springboard Wireless Connector technology transferred from WIDCOMM (U.S.).
Aug.	2000	Officially commenced mass production of PHS handsets.
Sept.	2000	Bluetooth PDA Connector and IEEE 802.11b PCMCIA Card received the Taiwan Symbol of Excellence Award.
Dec.	2000	Established ANC Holding Corporation.
Oct.	2001	Established WNC Holding Corporation.
Dec.	2001	Bluetooth USB dongle received the Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park.
May	2002	Established NeWeb Holding Corporation.
July	2002	Honored 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.
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, 2004.
Nov.	2005	Obtained ISO 14001 certification.
Nov.	2005	LNB annual output reached 10 million.
Dec.	2005	Obtained ISO/TS 16949 certification.
Jan.	2006	Wi-Fi Phone received the 2006 CES Innovations Design and Engineering Award.
Feb.	2006	Obtained SONY Green Partner Certification.
April	2006	Established Wistron NeWeb (Kunshan) Corporation in Mainland China.
June	2006	GSM/Wi-Fi Dual Net Phone received the 2006 Best Choice of Computex Taipei Award.
Nov.	2006	Honored with the Hsinchu Science Park R&D Accomplishment Award.
July	2007	Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in Mainland China.

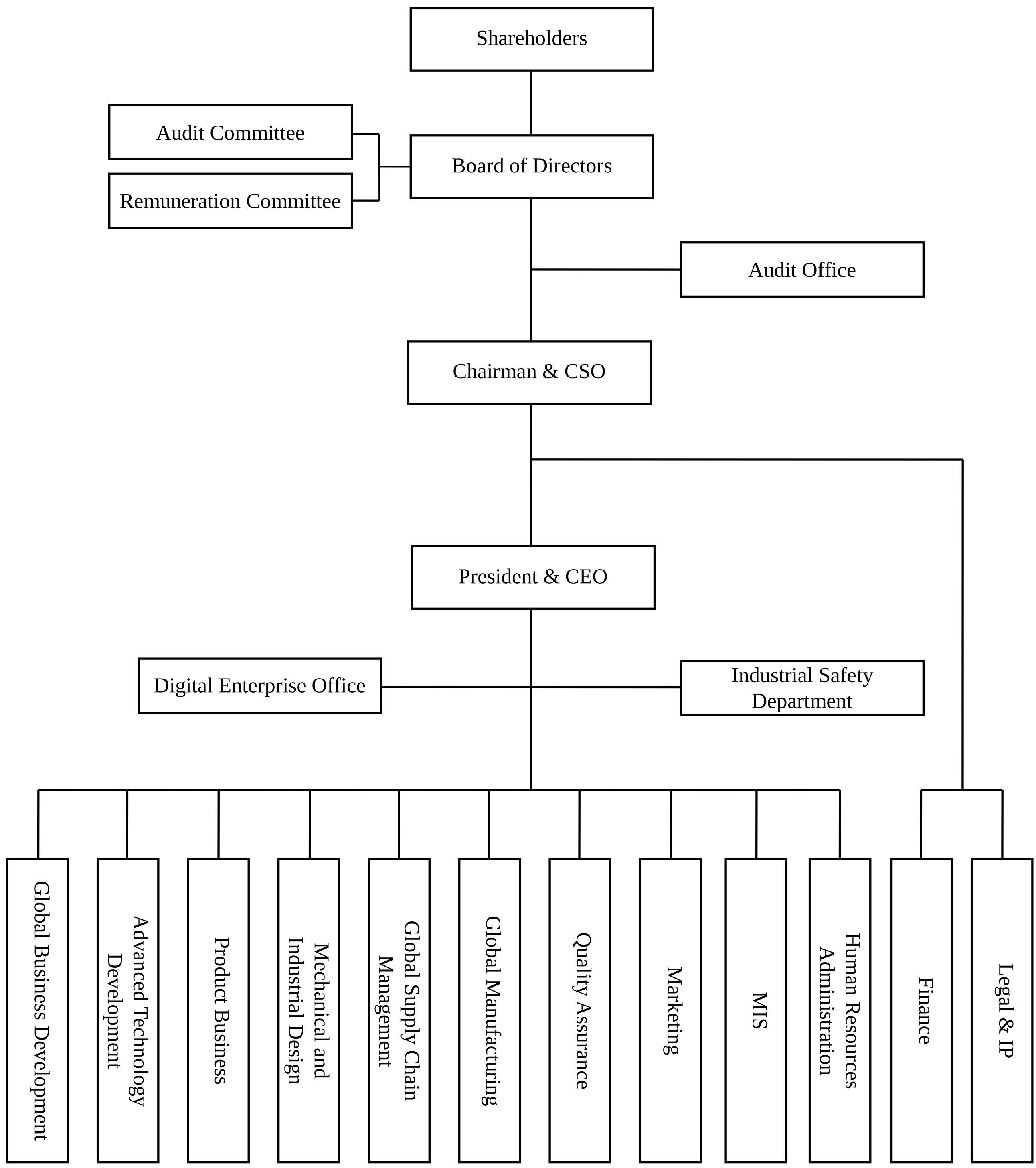
Dec.	2007	Started mass production of Ka/Ku ODU products.
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored for Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received 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 with the Excellence in Corporate Social Responsibility top 50 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	S1 (on Lihsin Rd. VI of the Hsinchu Science Park) obtained its factory registration certificate.
June	2016	24GHz Radar System honored at the 2016 IT World Awards.
July	2016	Honored with the Award for International Trade—Contribution to Primary Market Expansion Award by the Ministry of Economic Affairs.
Aug.	2016	Honored with the Excellence in Corporate Social Responsibility top 50 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 with the Excellence in Corporate Social Responsibility top 50 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 Buying Power—The New Product and Service of Social Innovation Purchase Reward Program (First Prize) by the Ministry of Economic Affairs.

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
MIS	Company information systems, software, and network management and maintenance
Marketing	Responsible for business information compilation, marketing strategies, exhibition promotion, 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
Digital Enterprise Office	Responsible for planning, implementing, and supervising internal digitization operations; choosing and optimizing related system platforms; the operation and improvement of company-wide Industry 4.0 items; and the design of high-efficiency operations processes as well as using information processing and digitization tools to improve their efficiency.

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

3.2.1 Information on the Board of Directors

April 17, 2018; 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		Shares held in another's name		Education	Selected current positions	Spouse or relative holding a position as key manager, director, or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman & CSO	R.O.C.	Haydn Hsieh	Male	06/16/2017	3	09/14/2001	5,226,652	1.62	5,691,529	1.55	790,759	0.22	0	0	Bachelor's	1. Chairman & CSO of Wistron NeWeb Corp. 2. Director of Wistron Corp. 3. Director of Apacer Technology Inc. 4. Independent Director of Raydium Semiconductor Corp. 5. Director of aEnrich Technology Corp.	None	None	None
Director	R.O.C.	Wistron Corp.	N/A				79,780,682	24.79	87,916,202	23.97	0	0	0	0	N/A	None	None	None	None
	R.O.C.	Representative: Frank F.C. Lin	Male	06/16/2017	3	04/18/2000	193,762	0.06	203,512	0.06	160,404	0.04	0	0	Bachelor's	1. Chief Staff Officer of Wistron Corp. 2. Director of Wistron ITS Corp. 3. Director of AOPEN Inc. 4. Chairman of WiseCap Ltd. 5. Chairman of WLB Ltd. 6. Director of Anextek Global Inc. 7. Director of Changing Information Technology Inc. 8. Director of Formosoft International 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 Wiwynn Corp. 15. Director of Pell Bio-Med Technology Co., Ltd.	None	None	None

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		Shares held in another's name		Education	Selected current positions	Spouse or relative holding a position as key manager, director, or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
																16. Director of IP Fund Six 17. Supervisor of aEnrich Technology Corp. 18. Director of Hartec Asia Pte. Ltd. 19. Director of Hukui Biotechnology Corp. 20. Chairman of WiseCap (Hong Kong) Ltd.			
	R.O.C.	Wistron Corp.	N/A				79,780,682	24.79	87,916,202	23.97	0	0	0	0	N/A	None	None	None	None
Director	R.O.C.	Representative: Donald Hwang (Note 1)	Male	06/16/2017	3	04/18/2000	686	0	686	0	0	0	0	0	Master's	1. Chief Technology Officer of Wistron Corp. 2. Chairman of International Standards Labs. 3. Director of WiseCap Ltd. 4. Director of WLB Ltd. 5. Director of Wistron Medical Tech Corp. 6. Director of Wistron Digital Technology Holding Company 7. Director of Maya International Co., Ltd. 8. Director of Join-Link International Technology 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 Corp.	None	None	None

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		Shares held in another's name		Education	Selected current positions	Spouse or relative holding a position as key manager, director, or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
																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 Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. 20. Director of Wistron Investment (Sichuan) Co., Ltd.			
Director; President & CEO	R.O.C.	Jeffrey Gau	Male	06/16/2017	3	10/14/2005	1,956,706	0.61	1,875,176	0.67	443,827	0.15	0	0	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	None	None	None
Director	R.O.C.	Max Wu	Male	06/16/2017	3	08/26/2002	0	0	0	0	0	0	0	0	Bachelor's	1. Director of Novatek Microelectronics Corp. 2. Independent Director of Apacer Technology Inc. 3. Supervisor of Antec, Inc. 4. Director of YODN Lighting Corp. 5. Independent Director of Gigastone Corp. 6. Chairman of Birch Venture Capital 7. Chairman of the NCTU Spring Foundation	None	None	None

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		Shares held in another's name		Education	Selected current positions	Spouse or relative holding a position as key manager, director, or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	R.O.C.	Philip Peng	Male	06/16/2017	3	06/23/2005	114,619	0.04	126,478	0.03	0	0	0	0	Master's	1. Corporate-shareholder representative on the AOPEN board of directors 2. Director of Wistron ITS 3. Corporate-shareholder representative on the Acer board of directors 4. Independent Director of AU Optronics 5. Chairman of Smart Capital Corp. 6. Director & President of iD SoftCapital 7. Corporate-shareholder representative on the Global Strategic Investment Management Inc. board of directors 8. Corporate-shareholder representative on the Dragon Investment Fund I Co. board of directors 9. Corporate-shareholder representative of iD Innovation Inc. on the Supervisor list	None	None	None
	R.O.C.	Wistron Corp.	N/A				79,780,682	24.79	-	-	-	-	-	-	N/A	None	None	None	None
Director	R.O.C.	Representative: Henry Lin (Note 1)	Male	06/16/2017	3	04/18/2000	0	0	-	-	-	-	-	-	Master's	1. Director of Browave Corp. 2. Corporate-shareholder representative on the AOPEN board of directors 3. Independent Director of TSRC Corp. 4. Independent Director of RDC Semiconductor 5. Chief Financial Officer of Wistron Corp.	None	None	None
Independent Director	R.O.C.	Robert Hung	Male	06/16/2017	3	06/17/2011	0	0	0	0	0	0	0	0	Master's	1. Independent Director of TSRC Corp.	None	None	None

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		Shares held in another's name		Education	Selected current positions	Spouse or relative holding a position as key manager, director, or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	R.O.C.	Neng-Pai Lin	Male	06/16/2017	3	06/10/2015	0	0	0	0	0	0	0	0	Ph.D.	1. Director of Teco Image Systems 2. Independent Director of Taishin Financial Holding Co., Ltd. 3. Independent Director of Taishin International Bank Co., Ltd. 4. Independent Director of Darfon Electronics Corp. 5. Independent Director of AcBel Polytech Inc.	None	None	None
Independent Director	R.O.C.	Hsing-Chuan Hsin (Note 2)	Female	06/16/2017	3	06/16/2017	0	0	0	0	0	0	0	0	Master's	1. Consultant of YQY Accounting Firm	None	None	None
Independent Director	R.O.C.	S.T. Peng (Note 3)	Male	06/16/2014	3	08/26/2002	0	0	-	-	-	-	-	-	Ph.D.	1. Professor Emeritus of the Department of Communications Engineering at Yuan Ze University (YZU) 2. Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation 3. Supervisor of the NCTU Spring Foundation 4. Supervisor of the Intelligent Transportation Society of Taiwan 5. Executive supervisor of the Taiwan Telematics Industry Association	None	None	None

Note 1: Mr. Donald Hwang was appointed by Wistron Corp. to replace Mr. Henry Lin as Representative on Dec. 20, 2017.

Note 2: Ms. Hsing-Chuan Hsin was elected Independent Director on June 16, 2017 at the shareholders' meeting.

Note 3: Mr. S.T. Peng served as Independent Director until the June 16, 2017 BOD elections.

Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders

April 16, 2018

Name	Major shareholders	Percentage (%)
Wistron Corporation	The Segantii Asia-Pacific Equity Multi-Strategy Fund	1.95
	Acer Incorporated	1.94
	Management Board of Public Service Pension Fund	1.76
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.66
	UBS Limited-SBL Desk	1.53
	Lin, Hsien-Ming	1.50
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.36
	Morgan Stanley & Co. International Plc	1.36
	HSBC Bank Plc - IB Asian SBL	1.09
	Wistron NeWeb Corporation	1.02

Major Shareholders of the Institutional Shareholders Listed in the above Table

April 17, 2018

Name	Major shareholders	Percentage (%)
Acer Incorporated	Hung Rouan Investment Corp.	2.39
	Stan Shih	1.66
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.57
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.26
	Management Board of Public Service Pension Fund	1.08
	Acer GDR	1.04
	iShares MSCI Taiwan Capped ETF	0.76
	Polunin Developing Countries Fund, LLC	0.70
	Government Pension Investment Fund - Internal - Re:MTBJ400045849	0.63
	New Labor Retirement Fund	0.60

Professional Qualifications and Independence Analysis of Directors

April 17, 2018

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

Note 1: Mr. Donald Hwang was appointed by Wistron Corp. to replace Mr. Henry Lin as Representative on Dec. 20, 2017.
Note 2: Ms. Hsing-Chuan Hsin was elected Independent Director on June 16, 2017 at the shareholders' meeting.
Note 3: Mr. S.T. Peng served as Independent Director until the June 16, 2017 BOD elections.

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

1. Not an employee of WNC or any of its affiliates.
2. Not a director or supervisor of WNC or any of its affiliates. Not applicable in cases where the person is an independent director of WNC, its parent company, or any subsidiary, 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 17, 2018; Unit: Shares; %

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Shares held in another's name		Education	Selected current positions in other companies	Spouse or relative holding a position as key manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman & CSO	R.O.C.	Haydn Hsieh (Note 1)	Male	06/14/2000	5,691,529	1.55	790,759	0.22	0	0	Bachelor's	1. Director of Wistron Corp. 2. Director of Apacer Technology Inc. 3. Independent Director of Raydium Semiconductor Corp. 4. Director of aEnrich Technology Corp.	None	None	None
Director; President & CEO	R.O.C.	Jeffrey Gau (Note 1)	Male	01/01/2008	1,875,176	0.67	443,827	0.15	0	0	Ph.D.	1. Corporate-shareholder representative on the Tai-Saw Technology Co., Ltd. board of directors	None	None	None
Senior Vice President & General Manager of the Business Group	R.O.C.	Larry Lee	Male	08/16/2005	484,350	0.16	79,973	0.01	0	0	Master's	None	None	None	None
Senior Vice President & General Manager of the Business Group	R.O.C.	Fayu Chen	Male	04/07/2008	306,883	0.08	345,668	0.09	0	0	Ph.D.	None	None	None	None
Vice President & General Manager of the Business Group	R.O.C.	Johnson Hsu	Male	02/05/2010	488,612	0.13	0	0	0	0	Master's	None	None	None	None
Vice President	R.O.C.	Jack Liu	Male	03/18/2015	110,356	0.03	0	0	0	0	Ph.D.	None	None	None	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Shares held in another's name		Education	Selected current positions in other companies	Spouse or relative holding a position as key manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Vice President	R.O.C.	Bird Huang	Male	02/05/2010	168,202	0.05	0	0	0	0	Master's	None	None	None	None
Vice President	R.O.C.	Ray Lee	Male	02/01/2006	373,151	0.11	0	0	0	0	Bachelor's	None	None	None	None
Vice President	R.O.C.	Chris Hwang	Male	01/05/2017	166,260	0.05	0	0	0	0	Master's	None	None	None	None
Vice President	R.O.C.	TJ Chen	Male	02/05/2010	264,213	0.07	581	0	0	0	Ph.D.	None	None	None	None
Vice President	R.O.C.	Apollo Shyong (Note 2)	Male	04/05/2012	327,503	0.09	0	0	0	0	Master's	None	None	None	None
Vice President	R.O.C.	Joseph Chi (Note 2)	Male	11/08/2017	0	0	0	0	0	0	Master's	None	None	None	None
General Plant Manager	R.O.C.	Andrew Wong	Male	12/01/2009	276,987	0.08	0	0	0	0	Bachelor's	None	None	None	None
Chief Financial Officer	R.O.C.	Jona Song	Female	01/01/2002	606,452	0.17	0	0	0	0	Bachelor's	None	None	None	None
Chief Supply Chain Officer	R.O.C.	Amy Hsu (Note 3)	Female	11/08/2017	55,077	0.02	0	0	0	0	Bachelor's	None	None	None	None
Chief Technology Officer	R.O.C.	Horen Chen	Male	11/05/2013	1,026,717	0.28	0	0	0	0	Ph.D.	None	None	None	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Shares held in another's name		Education	Selected current positions in other companies	Spouse or relative holding a position as key manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Associate Vice President	R.O.C.	Owen Tai (Note 4)	Male	01/05/2018	0	0	0	0	0	0	Bachelor's	None	None	None	None
Associate Vice President	R.O.C.	Robin Wu (Note 5)	Male	04/05/2018	83,530	0	10,304	0	0	0	Master's	None	None	None	None
Associate Vice President	R.O.C.	Repus Hsiung (Note 5)	Male	04/05/2018	0	0	0	0	0	0	Master's	None	None	None	None
Associate Vice President	R.O.C.	Dennis Kung (Note 6)	Male	11/05/2013	-	-	-	-	-	-	Master's	None	None	None	None

Note 1: Mr. Haydn Hsieh assumed the new role of Chief Strategy Officer on Dec. 1, 2017. Mr. Hsieh's former role of Chief Executive Officer was filled by Mr. Jeffrey Gau in addition to his capacity as the President.
Note 2: Mr. Apollo Shyong and Mr. Joseph Chi were promoted to Vice President on Nov. 8, 2017.
Note 3: Ms. Amy Hsu was promoted to Chief Supply Chain Officer on Nov. 8, 2017.
Note 4: Mr. Owen Tai was promoted to Associate Vice President on Jan. 5, 2018.
Note 5: Mr. Robin Wu and Mr. Repus Hsiung were promoted to Associate Vice President on April 5, 2018.
Note 6: Mr. Dennis Kung served as Associate Vice President until July 1, 2017.

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

1. Remuneration of Directors (Including Independent Directors)

Dec. 31, 2017; Unit: Thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of total remuneration (A+B+C+D) to net income (%)</th><th colspan="8">Relevant remuneration received by Directors who are also employees</th><th colspan="2" rowspan="2">Ratio of Total remuneration (A+B+C+D+E+F+G) to net income (%) (Note3)</th><th rowspan="4">Compensation paid to directors from an invested company other than the company's subsidiary</th></tr>
<tr><th colspan="2">Base compensation (A)</th><th colspan="2">Severance pay and pensions (B)</th><th colspan="2">Directors' profit-sharing bonuses (C)</th><th colspan="2">Payment for professional practice (D)</th><th colspan="2">Salary, bonuses, and allowances (E)</th><th colspan="2">Severance pay and pensions (F)</th><th colspan="4">Employees' profit-sharing bonuses (G)</th></tr>
<tr><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th><th colspan="2">From WNC</th><th colspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the consolidated financial statements</th></tr>
<tr><th></th><th></th><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Haydn Hsieh</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">19,564 (Note 1)</td><td rowspan="11">19,564 (Note 1)</td><td rowspan="11">710</td><td rowspan="11">710</td><td rowspan="11">0.98</td><td rowspan="11">0.98</td><td rowspan="11">62,431</td><td rowspan="11">62,431</td><td rowspan="11">298</td><td rowspan="11">298</td><td rowspan="11">(Note 2)</td><td rowspan="11">(Note 2)</td><td rowspan="11">(Note 2)</td><td rowspan="11">(Note 2)</td><td rowspan="11">4.02</td><td rowspan="11">4.02</td><td rowspan="11">None</td></tr>
<tr><td>Director</td><td>Wistron Corp. Representative: Frank F. C. Lin</td></tr>
<tr><td>Director</td><td>Wistron Corp. Representative: Donald Hwang (Note 4)</td></tr>
<tr><td>Director</td><td>Jeffrey Gau</td></tr>
<tr><td>Director</td><td>Max Wu</td></tr>
<tr><td>Director</td><td>Philip Peng</td></tr>
<tr><td>Director</td><td>Wistron Corp. Representative: Henry Lin (Note 4)</td></tr>
<tr><td>Independent Director</td><td>Robert Hung</td></tr>
<tr><td>Independent Director</td><td>Neng-Pai Lin</td></tr>
<tr><td>Independent Director</td><td>Hsing-Chuan Hsin (Note 5)</td></tr>
<tr><td>Independent Director</td><td>S.T. Peng (Note 6)</td></tr>
<tr><td colspan="23">*Except for the remuneration listed in the above table, the remuneration that directors received by offering services (such as serving as a consultant instead of an employee) for companies in the financial statements is: None</td></tr>
</table>

Note 1: Based on the amount approved at the BOD meeting held on March 14, 2018

Note 2: Not available because the list for the distribution of profit-sharing employee 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 8,729 (thousand NT$) in cash.

Note 3: 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 4: Mr. Donald Hwang was appointed by Wistron Corp. to replace Mr. Henry Lin as Representative on Dec. 20, 2017.

Note 5: Ms. Hsing-Chuan Hsin was elected Independent Director on June 16, 2017 at the shareholders' meeting.

Note 6: Mr. S.T. Peng served as Independent Director until the June 16, 2017 BOD elections.

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	5 directors; Note 1	Same as the left column	4 directors; Note 3	Same as the left column
NT$2,000,000 – NT$4,999,999	6 directors; Note 2	Same as the left column	5 directors; Note 4	Same as the left column
NT$5,000,000 – NT$9,999,999				
NT$10,000,000–NT$14,999,999				
NT$15,000,000–NT$29,999,999			2 director; Note 5	Same as the left column
NT$30,000,000–NT$49,999,999				
NT$50,000,000–NT$99,999,999				
Over NT$99,999,999				
Total	11	11	11	11

Note 1: Jeffrey Gau, Max Wu, Philip Peng, Hsing-Chuan Hsin, S. T. Peng

Note 2: Wistron Corp. Representatives Frank F. C. Lin, Donald Hwang, Henry Lin; Haydn Hsieh, Robert Hung, Neng-Pai Lin

Note 3: Max Wu, Philip Peng, Hsing-Chuan Hsin, S. T. Peng

Note 4: Wistron Corp. Representatives Frank F. C. Lin, Donald Hwang, Henry Lin; Robert Hung, Neng-Pai Lin

Note 5: Haydn Hsieh, Jeffrey Gau

Note 6: The list for the distribution of profit-sharing employee bonuses was not determined as of the completion date of the annual report; “Profit-Sharing Employee Bonuses” are excluded from the calculation for this column.

2. Supervisors’ Base Compensation: N/A

2-1. Range of Remuneration: N/A

3. Remuneration of the President and Vice President

Dec. 31, 2017; 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 (%) (Note2)		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 (Note 3)	34,713	34,713	1,641	1,641	133,809	133,809	(Note1)	(Note1)	(Note1)	(Note1)	8.25	8.25	None
Director; President & CEO	Jeffrey Gau (Note 3)													
Senior 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	Jack Liu													
Vice President	Bird Huang													
Vice President	Ray Lee													
Vice President	Chris Hwang													
Vice President	TJ Chen													
Vice President	Apollo Shyong (Note 4)													
Vice President	Joseph Chi (Note 4)													

Note 1: Not available because the list for the distribution of profit-sharing employee 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 20,752 (thousand NT$) 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. Haydn Hsieh assumed the new role of Chief Strategy Officer on Dec. 1, 2017. Mr. Hsieh's former role of Chief Executive Officer was filled by Mr. Jeffrey Gau in addition to his capacity as the President.

Note 4: Mr. Apollo Shyong and Mr. Joseph Chi were promoted to Vice President on Nov. 8, 2017.

Range of Remuneration

Range of remuneration	Name of President and Vice President (Note 5)	
	From WNC	From all companies in the financial statements
Under NT$2,000,000		
NT$2,000,000–NT$4,999,999	2 directors; Note 1	Same as the left column
NT$5,000,000–NT$9,999,999	6 directors; Note 2	Same as the left column
NT$10,000,000–NT$14,999,999	2 directors; Note 3	Same as the left column
NT$15,000,000–NT$29,999,999	2 directors; Note 4	Same as the left column
NT$30,000,000–NT$49,999,999		
NT$50,000,000–NT$99,999,999		
Over NT$99,999,999		
Total	12	12

Note 1: Chris Hwang, Joseph Chi

Note 2: Johnson Hsu, Jack Liu, Bird Huang, Ray Lee, TJ Chen, Apollo Shyong

Note 3: Larry Lee, Fayu Chen

Note 4: Haydn Hsieh, Jeffrey Gau

Note 5: The list for the distribution of profit-sharing employee bonuses was not determined as of the completion date of the annual report; "Profit-Sharing Employee Bonuses" are excluded from the calculation for this column.

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

Dec. 31, 2017; Unit: Thousand NT$

	Title	Name	Stock (Fair Market Value)	Cash (Note 5)	Total	Ratio of total amount to net income (%)
Executive Officers	Chairman & CSO	Haydn Hsieh (Note 1)	0	24,918	24,918	1.21
	Director; President & CEO	Jeffrey Gau (Note 1)				
	Senior Vice President & General Manager of Business Group	Larry Lee				
	Senior Vice President & General Manager of Business Group	Fayu Chen				
	Vice President & General Manager of Business Group	Johnson Hsu				
	Vice President	Jack Liu				
	Vice President	Bird Huang				
	Vice President	Ray Lee				
	Vice President	Chris Hwang				
	Vice President	TJ Chen				
	Vice President	Apollo Shyong (Note 2)				
	Vice President	Joseph Chi (Note 2)				
	General Plant Manager	Andrew Wong				
	Chief Financial Officer	Jona Song				
	Chief Supply Chain Officer	Amy Hsu (Note 3)				
	Chief Technology Officer	Horen Chen				
	Associate Vice President	Dennis Kung (Note 4)				

Note 1: Mr. Haydn Hsieh assumed the new role of Chief Strategy Officer on Dec. 1, 2017. Mr. Hsieh's former role of Chief Executive Officer was filled by Mr. Jeffrey Gau in addition to his capacity as the President.

Note 2: Mr. Apollo Shyong and Mr. Joseph Chi were promoted to Vice President on Nov. 8, 2017.

Note 3: Ms. Amy Hsu was promoted to Chief Supply Chain Officer on Nov. 8, 2017.

Note 4: Mr. Dennis Kung served as Associate Vice President until July 1, 2017.

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:

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

Titles	Ratio of total remuneration to net income of the parent company only	
	2017	2016
Directors	0.98%	0.99%
Presidents and Vice Presidents	8.25% (Note)	6.82%

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.

2. Remuneration payment policies for directors were specified in Article 18 of WNC's "Articles of Incorporation": "If WNC shows an annual profit (the profit herein indicates the pretax profit without deducting the 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.

3. WNC's remuneration for the President and Vice Presidents includes regular payments such as salaries, fixed bonuses, and other welfare and variable items such as performance-related bonuses, 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 eight board meetings were held in 2017. The directors' attendance record is as follows.

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Chairman	Haydn Hsieh	8	0	100	
Director	Wistron Corp. Representative: Frank F.C. Lin	8	0	100	
Director	Wistron Corp. Representative: Donald Hwang	1	0	100	(Note 1)
Director	Jeffrey Gau	8	0	100	
Director	Max Wu	7	1	88	
Director	Philip Peng	8	0	100	
Independent Director	Robert Hung	8	0	100	
Independent Director	Neng-Pai Lin	8	0	100	
Independent Director	Hsing-Chuan Hsin	5	0	100	(Note 2)
Director	Wistron Corp. Representative: Henry Lin	7	0	100	(Note 1)
Independent Director	S.T. Peng	3	0	100	(Note 3)

Note 1: Mr. Donald Hwang was appointed by Wistron Corp. to replace Mr. Henry Lin as Representative on Dec. 20, 2017.
Note 2: Ms. Hsing-Chuan Hsin was elected Independent Director on June 16, 2017 at the shareholders' meeting.
Note 3: Mr. S.T. Peng served as Independent Director until the June 16, 2017 BOD elections.

3.3.2 Audit Committee Meeting Attendance Record

The WNC Audit Committee is comprised of all three independent directors as the committee members. The committee shall convene a meeting each season before the meeting of the Board of Directors to review the 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 the Certified Public Accountants. A total of five Audit Committee meetings were held in 2017.

Audit Committee Members Attendance Status

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	(Note 1)
Independent Director	S.T. Peng	2	0	100	(Note 2)

Note 1: Ms. Hsing-Chuan Hsin was elected Independent Director on June 16, 2017 at the shareholders' meeting.

Note 2: Mr. S.T. Peng served as Independent Director until the June 16, 2017 BOD elections.

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

(1) Communications between the independent directors and the internal auditors:
The independent directors have periodically received audit reports. The internal auditors have presented the findings of the 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.

(2) Communications between the independent directors and the independent auditors:
The independent auditors have presented 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.	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? (4) Does the company conduct regular evaluation of the independence of the CPA?	 ✓ ✓ ✓ ✓		(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 re diversification. (2) WNC has set up the Electronic Industry Citizenship Coalition (EICC) Committee as a functional committee beyond the Remuneration Committee and Audit Committee required by law. (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 evaluation period runs from January 1 to December 31 of a given year. The Board members shall complete the performance evaluation within three months after the start of the following year and report on the results during the Board meeting. The results will also be disclosed in WNC's annual report. (4) WNC's Audit Committee and the Board of	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
			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 being confirmed of their corporate family members' compliance with the related independence requests.	
4. Does the company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to the law, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)?	✓		WNC's Finance Division currently serves as the part-time corporate governance unit, with WNC's CFO as the supervisor. It 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 shareholders meetings according to applicable laws.	None
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?	✓		WNC has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders. For more details please refer to the stakeholder communication section of WNC's 2017 CSR report and the CSR page of WNC's website.	None
6. Does the company engage a professional agency to handle shareholder services relating to the annual shareholders' meeting?	✓		WNC has hired personnel with professional stock-service experience to handle related services. In addition to ensuring the experience and education of the personnel are in accordance with laws and regulations, the personnel members are required to continuously participate in stock-service related training.	None
7. Disclosure of information (1) Does the company utilize a website to disclose finance, operational, and corporate information? (2) Are there other means of disclosing information (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors' conference)?	 ✓ ✓		(1) WNC has set up a website with information on finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations. (2) WNC has 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.	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
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)?	✓		a. The recruitment policies of WNC conform to government regulations. All employees have equal rights and development opportunities in WNC. b. 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. c. In 2017, each member of WNC's Board of Directors attended relevant training courses. d. 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. e. WNC maintains stable and close relationships with customers to obtain stable and reasonable profits. f. WNC has purchased liability insurance for Directors and other key employees. g. For more details, please refer to WNC's CSR report.	None
9. Please describe the improvements made in response to the most recent corporate governance assessment results published by the Taiwan Stock Exchange and provide the priority items and measures for deficiencies that are not yet addressed. WNC has conducted a corporate governance self-assessment for year 2017 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. 1. To continue to strengthen corporate governance, a female director was added during the 2017 BOD elections. 2. On March 14, 2018, the Board passed a resolution to stipulate "Regulations Governing the Board Performance Evaluation". In the future, the performance of the Board will be evaluated on a regular basis in accordance with these regulations.				

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.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets one of the following professional qualification requirements, together with at least five years' work experience		
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company
Independent Director	Robert Hung			✓
Independent Director	Neng-Pai Lin	✓		✓
Independent Director	Hsing-Chuan Hsin		✓	✓
Independent Director	S. T. Peng	✓		✓

Title	Criteria / Name	Independence criteria (Note 2)								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	(Note 1)
Independent Director	Neng-Pai Lin	✓	✓	✓	✓	✓	✓	✓	✓	3	(Note 1)
Independent Director	Hsing-Chuan Hsin	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note 1)
Independent Director	S. T. Peng	✓	✓	✓	✓	✓	✓	✓	✓	0	(Note 1)

Note 1: The WNC Board of Directors appointed Mr. Robert Hung, Mr. Neng-Pai Lin, and Ms. Hsing-Chuan Hsin as members for the 3rd Remuneration Committee on July 12, 2017. The previous committee member Mr. S. T. Peng served until his service term ended.

Note 2: 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, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with WNC.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to WNC or to any affiliate of WNC, or a spouse thereof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

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

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Convener	Neng-Pai Lin	3	0	100	(Note 1)
Committee member	Robert Hung	3	0	100	(Note 1)
Committee member	Hsing-Chuan Hsin	2	0	100	(Note 1)
Committee member	S.T. Peng	1	0	100	(Note 1)

Note 1: The WNC's Board of Directors appointed Mr. Robert Hung, Mr. Neng-Pai Lin, and Ms. Hsing-Chuan Hsin as members for the 3rd Remuneration Committee on July 12, 2017. The previous committee member Mr. S. T. Peng served until his service term ended.

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

2. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.3.5 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

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
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?	 ✓ ✓ ✓ ✓		(1) WNC has established the WNC Corporate Social Responsibility policies to demonstrate our resolve in implementing CSR's economic, environmental, and social aspects. In order to conduct effective management and 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. In 2015, WNC issued the "WNC CSR Handbook" to strengthen employees' understanding of CSR and EICC regulations (The EICC was renamed the Responsible Business Alliance in 2017. Since "EICC" is still retained in its official documents, WNC shall also adopt the old name to ensure consistency.) The "WNC Ethics and Anti-Corruption Code of Conduct" online training program has been conducted since 2017 for all indirect labor employees in Taiwan to better convey anti-corruption policies. (3) WNC has established an EICC Management Committee dedicated to the headquarters in Taiwan, and another dedicated to the main production sites in China. The committee directs WNC's CSR and EICC implementation efforts. The Chairman serves as the highest-level manager to whom issues are reported. Major issues shall be submitted to the Board of Directors for authorization and approval. The WNC EICC Management Committee consists of the Environmental Group, Health and Safety Group, Labor Group, Ethics Group, and Management System Group. Each functional unit shall assign representatives to serve as the officers for each group, and the officers shall convene annual management review meetings to discuss corporate social responsibility and EICC-related issues or convene interim meetings to discuss specific issues according to customer needs. With regard to	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
			issues corresponding to each group, relevant functional units including the Global Supply Chain Management Division, Quality Assurance Division, Finance Division, Human Resources Administration Division, Management Information System Division, Marketing Division, and Legal & IP Center are responsible for the items' discussion and resolution, as well as the execution and review of the items' resolution. WNC's Marketing Division is in charge of coordinating the publication of the annual CSR report. (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 section 3.3 Overall Remuneration in WNC's 2017 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	✓ ✓ ✓		(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 of energy-using products as specified by WNC. (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	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
climate change on its operations, conduct a greenhouse-gas inventory, and establish strategies for energy conservation and carbon and greenhouse-gas reduction?			headquarters and the main production sites in China have all obtained ISO 14001 certification and regularly conduct internal audits and third-party examinations every year to ensure all ISO 14001 standards and environmental regulations are properly followed. In 2017, WNC Headquarters and S1 completed the ISO 14001: 2015 international environmental management system transition audit and successfully obtained the corresponding certificates. (3) In addition to improving the energy-usage efficiency of 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 Management in WNC's 2017 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	✓ ✓ ✓ ✓		(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 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 EICC's Code of Conduct. WNC plans to expand implementation of the EICC's Code of Conduct requirements throughout its entire supply chain. WNC organized a WNC EICC Management Committee in July of 2012 and adopted its own WNC EICC Code of Conduct. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers. For details, please refer to section 3.1 Respect Human Rights in WNC's 2017 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 2017 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 proactively 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 and health	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
methods to inform employees of critical operational changes? (5) Does the company 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	 ✓ ✓ ✓ ✓ ✓		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 Health and Safety Management of WNC's 2017 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 China sites, 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 and on-line consulting and assistance. For details, please refer to section 3.1.3 Communication Mechanisms of WNC's 2017 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 job-function enhancement training programs, key competencies enhancement programs, and supervisory and leadership training. For details, please refer to section 3.4 Training and Development of WNC's 2017 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, our customer services division has also instituted a customer satisfaction mechanism. Every year a satisfaction survey and analysis is carried out on product quality, technology, delivery, and other service items. Through this customer satisfaction survey, analysis of reasons for dissatisfaction are relayed to related business units for drawing up and executing plans for improvement and tracking of improvement initiatives.	

<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>polices and causing a significant impact on the environment and society?</td><td></td><td></td><td>(7) WNC lets its customers address product-marketing matters where indications on products are 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 shall conduct a written audit or practical evaluation for candidate suppliers, including those of operation services, quality systems, research and development capacity, and manufacturing capacity. Qualified suppliers are included in the Approved Vendor List (AVL) after they sign the “Supplier CSR Declaration,” “WNC Group Supplier's Commitment to a Code of Ethics,” “WNC Supplier Corporate Social Responsibility Survey Form,” and “WNC Supplier EICC Self-Assessment Questionnaire.” The suppliers that do not fulfill these qualification standards shall comply within a stipulated timeframe, otherwise they will not be included in the AVL. When under certain extraordinary circumstances and suppliers have yet to be approved, they must proceed through a conditional approval process.
(9) The WNC Group Supplier’s Commitment to a Code of Ethics has specified that, if a supplier violates the laws and items of the commitment, WNC may suspend, terminate, or cancel the business with that supplier. Suppliers are also required to pass an EICC assessment conducted by WNC. If the supplier fails to meet required score thresholds, it is required to submit improvement plans and conduct improvement reviews within a specified timeframe. WNC will terminate cooperation with such a supplier if it fails to pass the EICC assessment within the specified timeframe.</td><td></td></tr>
<tr><td>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?</td><td>✓</td><td></td><td>(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.</td><td>None</td></tr>
<tr><td colspan="5">5. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation:
To summarize the statements above, there is no notable discrepancy between the measures’ implementation and WNC’s corporate social responsibility principles.</td></tr>
</table>

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
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 2017 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.				

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, as well as the commitment from its board 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 the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓ ✓ ✓		(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 is committed to the implementation of the EICC management system and its relevant guidelines. In July 2012, WNC established the EICC Management Committee and appointed the Chief Quality Officer to serve as the management representative of the EICC Management System and to be responsible for the establishment, implementation, and maintenance of the management system. WNC formulated its "Corporate Governance Best-Practice Principles," "Ethical Corporate Management Best-Practice Principles," "Code of Ethical Conduct," "Procedures for Ethical Management and Guidelines for Conduct," "Supplier Corporate Social Responsibility Code of Conduct," and "WNC EICC Code of Conduct" for employees to follow. In addition, WNC has disclosed the company's ethics policies and required that all of its employees and major suppliers sign the commitment to a 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 encountering situations with higher potential for unethical conduct, WNC administers training and education and compiles relevant job execution handbooks to increase employee knowledge and provide relevant guidelines. Internal auditing and regular job rotation are also implemented to reduce relevant risks. In addition, "WNC Intellectual Property Rights Management Measures" was formulated to strengthen the protection of the company's trade secrets and intellectual property rights.	None
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) WNC has formulated the "WNC EICC Code of Conduct" for stakeholders such as our affiliated enterprises, employees, and suppliers to follow and observe. The Code is divided into five parts: a. Labor; b. Health and Safety; c. Environment; d. Ethics; e. Management System. WNC has required that its major suppliers sign the EICC Code of Conduct and commit to complying with the relevant provisions of the Code.	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
(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 implement 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 operational integrity?	✓ ✓ ✓ ✓		(2) WNC has designated the Human Resources Administration Division as the responsible unit in charge of the amendment, interpretation, and advisory consultation for the "Procedures for Ethical Management and Guidelines for Conduct" and for the recording and filing of reports thereon. The Audit Office shall monitor the implementation of these Procedures and Guidelines and submit regular reports to the Board of Directors. (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, and the Audit Office performs project audits when necessary and provides the management with information regarding existing faults or potential risks in a timely manner. The Audit Office reports its auditing business to the Audit Committee on a regular basis and attends the Board meetings to report to the Chairman and the Audit Committee when necessary. (5) WNC provides the "WNC Supplier Code of Conduct" e-learning courses to major suppliers and offers counseling (training and field visits) to important major suppliers. For employees, WNC administers the "WNC CSR & EICC introduction" e-learning courses to enable employees to understand WNC's corporate social responsibilities and the "WNC EICC Code of Conduct". Since 2017, WNC has arranged to give the "WNC Ethics and Anti-Corruption Code of Conduct" e-learning course for management integrity training. In 2017, 1,610 indirect labor employees participated in the training for a total of 1,288 hours, for a completion rate of 92.16%. Plans are in place to include direct labor employees in this training in the 1Q 2018.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity	✓		(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.	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>hotline? Can the accused be reached by an appropriate person for follow-up?
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?
(3) Does the company provide proper whistleblower protection?</td><td>
✓

✓</td><td></td><td>(2) WNC has formulated the “WNC Reporting and Handling Procedure” that clearly specifies the responsible person for processing the reported matters. The reporting and handling procedure and the violation report form are utilized to detail the handling procedure and record the issue and handling results in writing. In 2017, there were no cases reported.
(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.</td><td></td></tr>
<tr><td>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 MOPS?</td><td>✓</td><td></td><td>(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.</td><td>None</td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">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 properties are prohibited. Also, bribes or any other form of improper advantage must not be provided or accepted.</td></tr>
</table>

3.4 Accountant Fee

(1) Range of Accountant Fee

Accounting firm	Name of CPA		Audit period	Remarks
KPMG	Sing-Hai Wei	Hai-Ning Huan	Jan. 1, 2017–Dec. 31, 2017	

Unit: Thousand NT$

Range \ Item		Audit fee	Non-audit fee	Total
1	Under NT$2,000,000		✓	587
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	✓		6,740
5	NT$8,000,000–NT$9,999,999			
6	Over NT$9,999,999			

(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) 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

(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 of 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	Sing-Hai Wei	Hai-Ning Huan	6,740	0	0	0	587 (Note)	587	Jan. 1, 2017–Dec. 31, 2017	

Note: Consists of the fees by the accountants for reviewing increase of capital by capitalization of earnings, investment in China, and issuance of restricted stock awards.

3.5 Change of CPA

None

3.6 The company's Chairman, President, Managers in charge of its Finance and Accounting operations assume positions in its 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 17, 2018

Type of stock	Authorized capital			Remarks
	Issued shares	Un-issued shares	Total shares	
Common stocks	366,777,149	133,222,851	500,000,000	Employee stock options: 25,000,000 shares

4.1.2 Related Information for Shelf Registration: None

4.1.3 Sources of Capital

Unit: Shares; NT$

Month/ year	Par value (NT$)	Authorized capital		Paid-in capital		Remarks	
		Shares	Value	Shares	Value	Sources of capital	Capital increased by assets other than cash
01/2017	10	500,000,000	5,000,000,000	352,697,394	3,526,973,940	Cancellation of Restricted Stock Awards: 148,000 shares	None
03/2017	10	500,000,000	5,000,000,000	353,117,205	3,531,172,050	Conversion of corporate bonds into shares: 419,811 shares	None
07/2017	10	500,000,000	5,000,000,000	353,627,205	3,536,272,050	Restricted Stock Awards: 510,000 shares	None
08/2017	10	500,000,000	5,000,000,000	364,160,721	3,641,607,210	Appropriations of earnings in stock dividends: 10,593,500 shares Cancellation of Restricted Stock Awards: 60,000 shares	None
01/2018	10	500,000,000	5,000,000,000	366,777,149	3,667,771,490	Conversion of corporate bonds into shares: 2,809,428 shares Cancellation of Restricted Stock Awards: 193,000 shares	None

4.1.4 Composition of Shareholders

April 17, 2018; Unit: Shares; %

Item	Shareholder types					
	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions & natural persons	Domestic natural persons	Total
Number of shareholders	6	6	125	214	27,802	28,153
Shareholding (shares)	31,129,264	2,261,757	138,188,591	82,705,540	112,491,997	366,777,149
Percentage	8.49%	0.62%	37.67%	22.55%	30.67%	100.00%

4.1.5 Shareholding Distribution Status

April 17, 2018; Unit: Shares; %

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1–999	10,821	1,825,194	0.50
1,000–5,000	13,443	26,536,532	7.24
5,001–10,000	1,931	14,075,871	3.84
10,001–15,000	626	7,618,522	2.08
15,001–20,000	334	6,033,257	1.64
20,001–30,000	328	8,014,969	2.19
30,001–50,000	266	10,429,096	2.85
50,001–100,000	194	13,495,007	3.68
100,001–200,000	84	11,530,203	3.14
200,001–400,000	45	12,176,863	3.32
400,001–600,000	21	10,266,422	2.80
600,001–800,000	11	7,535,783	2.05
800,001–1,000,000	4	3,587,193	0.98
1,000,001 or over	45	233,652,237	63.69
Total	28,153	366,777,149	100.00

4.1.6 Major Shareholders

April 17, 2018; Unit: Shares; %

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Corporation	87,916,202	23.97
Cathay Life Insurance Limited	17,421,968	4.75
New Labor Retirement Fund	17,364,999	4.73
Chang Gung Medical Foundation	7,527,774	2.05
Haydn Hsieh	5,691,529	1.55
Old Labor Retirement Fund	5,387,796	1.47
Norges Bank	5,385,081	1.47
Bank SinoPac in custody for Wistron NeWeb Corp.'s Restricted Stock Trust Fund (issued in 2016)	5,045,000	1.38
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	4,660,294	1.27
Government of Singapore Investment Corp.	4,531,739	1.24

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

Unit: NT$

Item			2016	2017	Jan. 1, 2018– Mar. 31, 2018
Market Price per Share	Highest market price	Current	102	105.5	89.1
		Adjusted	95.44	98.89	
	Lowest market price	Current	72.1	78.5	75.6
		Adjusted	66.41	72.67	
	Average market price		86.04	88.78	82.06
Net Worth per Share	Before distribution		37.34	38.77	39.85
	After distribution		33.63	Note 1	—
Earnings per Share	Weighted average shares (unit: thousand shares)		343,275	358,251	361,732
	Earnings per share	Current	5.95	5.76	0.77
		Adjusted	5.78	Note 1	—
Dividends per Share	Cash dividends		3.66717119	Note 1	—
	Stock dividends	Dividends from Retained Earnings	0.2973382	Note 1	—
		Dividends from Capital Surplus	0	Note 1	—
	Accumulated Undistributed Dividends		0	Note 1	—
Return on Investment	Price / Earnings Ratio (Note 2)		14.46	15.41	—
	Price / Dividend Ratio (Note 3)		23.46	Note 1	—
	Cash Dividend Yield Rate (Note 4)		4.26%	Note 1	—

Note 1: Distribution of earnings has not yet been ratified because the 2018 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

1. Dividend policy

If WNC shows a year-end after-tax profit, it shall firstly make up any accumulated losses. Thereafter a 10% appropriation of the remaining amount shall be set aside towards the legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities.

Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings at 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.

2. Proposed distribution of dividends

The proposal for the distribution of 2017 profits, as listed in the below table, was passed at the meeting of the BOD on March 14, 2018. The proposal will be implemented after discussion and approval during the Shareholders' Meeting to be held on June 15, 2018.

Earnings Appropriation Statement for Year 2017

Unit: NT$

Item	Amount	Stock dividends	Cash dividends	Note
Unappropriated retained earnings at beginning of period	3,846,762,799	0	0	
Plus: Changes in the remeasurements of the defined benefit plans	493,850			
Adjusted unappropriated retained earnings	3,847,256,649			
Plus: Profit after year's tax	2,063,689,936	0	0	
(Minus): Legal reserve	(206,368,994)			
(Minus): Other special reserve	(45,224,551)			
Retained earnings for appropriation	5,659,353,040	0	0	
Shareholder dividends and bonuses	1,430,430,871	73,355,420	1,357,075,451	Stock dividends: $0.2 per share Cash dividends: $3.7 per share
Unappropriated retained earnings at end of period	4,228,922,169	0	0	

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

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

4.1.10 Profit-Sharing Bonuses for Employees and Directors

1. 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:
   (1) 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;
   (2) No more than one percent (1%) as directors' profit-sharing bonuses in cash.

2. 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.

3. Profit-sharing bonuses distribution approved by the Board of Directors
   (1) The profit-sharing bonuses approved by the Board of Directors is NT$273,900,946 for employees and NT$19,564,353 for directors. There is no difference between the estimated expense and the proposed amounts approved by the Board of Directors.
   (2) Ratio of stock bonuses for employees to the net income of the parent-company-only financial statements: N/A

4. 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)	276,122,274	276,122,274
Directors' profit-sharing bonuses	19,723,019	19,723,019
Total	295,845,293	295,845,293

Note: The above profit-sharing bonuses for employees and directors were expensed under WNC's 2016 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

<table>
<tr><th colspan="2">Type of corporate bond</th><th>Domestic unsecured convertible corporate bonds issued for the second time</th></tr>
<tr><td colspan="2">Issuance date</td><td>Jan, 5, 2016</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issue price</td><td>Each bond is issued at 100% of par value</td></tr>
<tr><td colspan="2">Total value</td><td>NT$ 1,500,000,000</td></tr>
<tr><td colspan="2">Issue coupon/interest rate</td><td>The coupon rate is 0%</td></tr>
<tr><td colspan="2">Maturity period</td><td>Three-year maturity</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Taipei Fubon Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>KGI Securities Co. Ltd.</td></tr>
<tr><td colspan="2">Certifying attorney</td><td>N/A</td></tr>
<tr><td colspan="2">Auditor</td><td>N/A</td></tr>
<tr><td colspan="2">Repayment</td><td>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.</td></tr>
<tr><td colspan="2">Outstanding</td><td>1,189,800 (thousand NT$)</td></tr>
<tr><td colspan="2">Redemption/early redemption clause</td><td>None</td></tr>
<tr><td colspan="2">Limitation clauses</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, and corporate bond rating results</td><td>N/A</td></tr>
<tr><td rowspan="2">Other rights of bondholders</td><td>Amount of shares converted (exchange/warrant) into common shares, overseas depositary receipts, or other negotiable securities.</td><td>3,803,262 shares have been converted</td></tr>
<tr><td>Issuance and conversion (exchange/warrant)</td><td>Refer to the data on bond issuance in the MOPS.</td></tr>
<tr><td colspan="2">Possible dilution effect and other adverse effects on existing shareholders caused by issuance/conversion, exchange/warrant, and issuance conditions.</td><td>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.</td></tr>
<tr><td colspan="2">Custodian</td><td>N/A</td></tr>
</table>

4.2.2 Convertible Corporate Bonds

Type of corporate bond		Domestic unsecured convertible corporate bonds issued for the second time		
Item \ Year		2016	2017	Jan. 1, 2018–Mar. 31, 2018
Market price	Highest	123.5	127.6	117.2
	Lowest	100	107	106.7
	Average	109.09	115.5	112.64
Conversion price		88/81.7(NT$)	81.7/76.3(NT$)	76.3(NT$)
Issuance date and issuance conversion price		Jan. 5, 2016, 88(NT$)	Jan. 5, 2016, 88(NT$)	Jan. 5, 2016, 88(NT$)
Bond conversion method		Issuance of new shares	Issuance of new shares	Issuance of new shares

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

5. Overview of Business Operations

5.1 Business Content

5.1.1 Business Scope

1. Main business services

CC01060	Wired communication equipment and apparatus manufacturing
CC01070	Wireless communication devices and equipment manufacturing
CC01101	Restricted telecommunication radio frequency equipment and materials manufacturing
CC01080	Electronic parts and components manufacturing
F401021	Restricted telecommunication radio frequency equipment and materials import business
F401010	International trade business
F401030	Manufacturing and exporting business
F401041	Manufacturing and exporting business

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

(1) Satellite communications product series

(2) Mobile and portable communications product series

2. Revenue distribution

Revenue Distribution of Products by Category

Unit: Thousand NT$

Year / Item	2017	
	Amount	Percentage (%)
Wireless communications products	55,012,610	96.70
Others	1,877,184	3.30
Total	56,889,794	100.00

3. Current products

(1) Satellite communications product series

A. DTH TV dish antenna systems

B. Single cable multi-output outdoor receiver systems and derivative products

C. Satellite digital signal convertors

D. Digital satellite radio receiver systems

E. Digital HD radio receiver systems

F. Satellite communications transmitters

G. 4K/8K high-definition digital satellite radio receivers

(2) Mobile and home communications product series

A. 3G/4G wireless network communications equipment and modules

B. 4G indoor and outdoor broadband network terminal devices

C. Embedded antennas for mobile devices

D. Coaxial cable (MoCA) in-home networking products

E. Digital-home image sensors

F. Automotive 4G/Wi-Fi/BT modules

G. Wi-Fi mesh routers

H. BLE modules and sensors

I. High-speed network switches

J. IoT sensors and communication modules

(3) Other wireless products

A. Miniaturized high-frequency forward collision warning automotive radar devices

B. mmWave transmission modules

C. Integrated asset-tracking devices

D. RFID reader/antenna product series

4. New products under development

(1) Microwave communications product series

A. Lightweight high-frequency satellite two-way communications receivers

B. Next-generation mmWave mobile broadband home gateways

(2) Mobile and home communications product series

A. Next-generation mobile communications routers

B. IEEE 11ax Wi-Fi routers

C. xPON gateways

D. Coaxial cable (MoCA) broadband communications gateways

E. Automotive AI image sensors

F. V2X communications modules

G. RFID biometric tracking and positioning labels

H. Voice assistant integrated devices

I. Wireless transmission modules for VR

5.1.2 Industry Overview

1. Industry development trends and current market status

WNC has paid great attention to industry trends in wireless technology across a range of frequency bands for many years and has gathered experience in antenna and RF critical for the performance of multi-band wireless communications devices. Pressing market demand for high bandwidth services has created a new wave of sales, and some examples of this trend are described in the following section.

(1) For smart internet applications in the home, as of Q3 2017, there were more than 900 million households with wired broadband. Of these households, more than 50% use fiber-optic broadband, and this percentage continues to rise. In the North American broadband market, the adoption of coaxial cable broadband is developing more rapidly than in other markets, making it the main driving force in this market. Fiber-optic and Coaxial cable broadband are accelerating the upgrade of internet infrastructure and are creating demand for high-bandwidth LAN in the home. Voice assistant applications are a main driving force behind the demand for broadband services such as FTTH, home Wi-Fi access, and home Wi-Fi mesh. Various new smart home applications developed for Amazon's Alexa have encouraged consumers to use speech interfaces instead of visual/manual interfaces to more conveniently operate home appliances. In today's consumer electronics industry, customized software and cloud services have become mainstream, and increasingly advanced AI algorithms will soon bring unprecedented change.

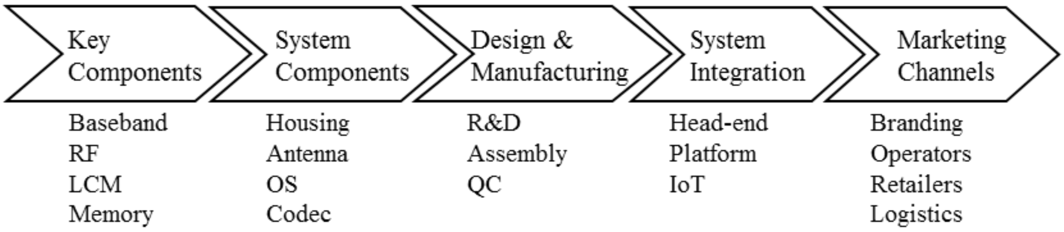
(2) For next-generation mobile communications, after many years of development, 4G transmission speed has increased from LTE Cat. 4 to LTE Cat. 16, matching current fiber-optic speeds. Due to its mobility and low-latency, telecommunications companies around the world have invested heavily in 4G, and wireless 4G internet is gradually replacing wired internet, just as fiber-optics gradually replaced copper wiring. The investment in 4G has paved the way for the development of 5G communication technology. Japan has announced that it will officially deploy 5G at the 2020 Tokyo Olympics, which has set a clear timeline for the global 5G industry. The U.S. has also announced that it will officially deploy 5G sometime in 2018 or 2019. The 5G NR standards established by 3GPP include Enhanced Mobile Broadband (eMBB), Massive Machine-Type Communication (mMTC), and Ultra Reliable Low Latency Communications (URLLC). These standards cover the popular fields of consumer telecommunications, IoT, and IoV, which will create many new business opportunities for the market.

(3) In recent years, the automotive sector has become a hot market for the electronics industry. Wireless communications play an important role in creating new applications for the IoV as well as in advancements in voice recognition and AI, which together have accelerated the development of smart cars. According to an IoV report published by IDC in 2017, more than 70% of cars will be able to connect to the Internet with standard equipment by the year 2022. The increase in the number of connected cars will accelerate the popularity of driverless cars, which in turn will affect the overall automotive market. More people will prefer leasing cars instead of buying them. The aforementioned developments will bring new challenges and opportunities to enterprises in the automotive sector. As the electronics industry and automotive industry become ever more intertwined, there will be many new developments in the future, such as major advancements in radar, camera, and LIDAR technologies, the development of DSRC, C-V2X, and other communications standards, and the appearance of new high-speed GPUs, TPUs, and GCPUs equipped with deep learning algorithms that rival human knowledge. These technologies will pose a great challenge to the design and manufacturing capabilities of companies.

(4) According to a report published by the research institute R&M, the IoT market will grow from US$1.7 trillion in 2017 to US$5.6 trillion in 2022 for a CAGR of 27%, providing new market space and great growth potential. The development of NB-IoT, combined with software-defined networking (SDN), which lowers the barrier of entry for cloud data centers, has accelerated the trend towards storing and using applications on the cloud, and has also tested the stability and efficiency of the IoT's network infrastructure. Due to the rise of AI, people now have raised expectations in the smart detection capabilities of connected devices. Therefore, the processing capabilities of connected devices also need to be improved in order to provide functions such as real-time face, voice, and object identification and fulfill a plethora of other requirements. Smart IoT devices have already obtained a foothold in the home and the automotive sectors, and it is expected that many other industries will start using these devices, thus realizing the smart production goal laid out in Industry 4.0.

2. Industry value chain

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



3. Product development trends

(1) Popularization of voice control

Amazon Alexa's open-system approach has made its voice service very popular and easy to use. This has pushed many makers of smart home applications to improve the voice control functionality of their applications and has also brought about changes to smart home appliances. Besides environmental sensing functionality, connected home appliances are now stressing voice recognition and feedback as well as a comprehensive feature set of personalized self-learning functions, background services, and analysis platforms. This creates a bright future for the DIY smart home market.

(2) Upgrades in wireless bandwidth

As mobile communications technology went from 3G to 4G, mobile connectivity became an indispensable part of people's lives. With the number of connected mobile devices increasing by the day, bandwidth usage has gone up exponentially. To meet the demand for more bandwidth, the telecommunications companies of many countries are developing next-generation mobile communications standards and using high compression data transmission. They have also defined separate standards for high bandwidth applications, IoT applications, and IoV applications within these next-generation or 5G standards in order to more effectively utilize radio spectrum resources. Complex antenna designs incorporating different bands and usage of different materials to meet the environmental resistance demands of various areas are key areas in future wireless broadband product design.

(3) Commercialization of AI

In 2017, AlphaGo, a computer program developed by Google, achieved a decisive victory over Lee Sedol, one of the highest ranked professional Go players in the world. The victory showed that today's AI programs do not rely on brute force methods to simulate human thought processes, but instead use software to change their processing logic, thus creating self-learning AI models. These developments popularized concepts such as deep learning and neural networks and prompted many companies to explore implementing self-learning, self-adapting, and self-adjusting functionality into their current smart products. The implementation of such functionalities will pose a challenge to software development capabilities and hardware processing platforms, and cloud data centers will play an indispensable role in facilitating learning and feedback processes. The age of AI is upon us, and the challenge for companies is to engage in co-operation with platform providers to find the best way to utilize AI.

(4) 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. The implementation of SDN technology has grown from massive data centers to include various network service platforms. SDN is seen as the solution that can meet the bandwidth demand required for data transfer. A variety of new applications can be developed by using SDNs as a foundation. 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, similar to what happened after the standardization of PC specifications. The age of a ubiquitous Internet is no longer a distant dream. It is imminent.

4. Product competition conditions

With the development of IoT, big data, AI, and network applications, the demand for network products is increasing at a rapid pace, the related technologies are continuously being upgraded, and more and more peer manufacturers are flocking to the 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 the IoT project-type market that often requires diverse products requested in small quantities, within multi-element application 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

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

Unit: Thousand NT$

Year	2017	Jan. 1, 2018–Mar. 31, 2018
Research and development expenditures	2,116,078	452,096
Percentage of total revenue	3.72%	3.77%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or product
2017	A. 4K/8K satellite digital signal receivers B. Digital satellite signal LNBFs C. Satellite communications transmission equipment

(2) Mobile and home communications product series

Year	Technology or product
2017	A. Smart-home integrated broadband network receiving equipment B. IEEE 802.11ac mesh routers C. Cat. 16 high-end mobile broadband sharing routers

(3) Other wireless products

Year	Technology or product
2017	A. Miniaturized high-frequency forward collision warning automotive radar devices B. Integrated object-tracking device C. Next-generation mmWave RF transceivers

5.1.4 Long-Term and Short-Term Business Development Plans

1. Short-term business development plans

(1) Marketing Strategy

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

(2) Operations Management

A. Sustained technology development

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

B. Improving production capacity and manufacturing capability

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

2. Long-term business development plans

(1) Marketing strategy
WNC plans long-term marketing strategies to strengthen current customer relationships and broaden 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.

(2) Operation Management

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

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

C. Proactively Establishing Economies of Scale
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.

(3) Operational Scale in Cooperation with Financial Policy

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

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

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2016		2017	
		Amount	Percentage of revenue	Amount	Percentage of revenue
Export sales	Americas	27,269,132	51.67%	29,148,043	51.24%
	Asia	13,541,057	25.65%	14,453,644	25.41%
	Europe	8,293,913	15.71%	9,895,095	17.39%
	Others	98,563	0.19%	61,673	0.10%
	Total	49,202,665	93.22%	53,558,455	94.14%
Domestic sales		3,576,832	6.78%	3,331,339	5.86%

2. 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 broadcast 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. 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 the worldwide major design and manufacturing supplier of enterprise-level wireless devices as well as the first company to release enterprise-level IEEE 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.

3. 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.

4. Competitive Advantages

(1) Competitive advantages of WNC

A. Professional management team

The management team at WNC has accumulated many years of experience and management capability in the communications field enabling us to fully understand market changes. The management team leads all functional teams to create, practice, and continuously 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.

B. Complete product technical solutions

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

C. 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, ISO/TS 16949:2009, 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 14001:2004, ISO 14064-1:2006, OHSAS 18001:2007, and CNS 15506:2011; 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.

D. Lean cost control mechanism

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

5. Future development factors and strategies in response

(1) Favorable factors:

A. The growth of cloud data centers

In recent years, many companies and industries have started to build data centers with the aim of implementing big data analysis to create high added value for their internal services or their customers. This has stimulated the rapid development of data center related products and services. Due to the appearance of numerous lightweight, flexible SDN products, the market is now no longer dominated by a few large network system integrators. Related supply chains have also underwent structural changes, and many new companies have taken advantage of this business opportunity and proactively integrated themselves into the strong manufacturing supply chain in the Asian region. For companies with a solid foundation in network communication, this is an opportunity to become a comprehensive service provider.

B. 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 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.

(2) Unfavorable factors:

A. Domestic software talent shortage

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

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

B. Operational costs have increased

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.

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

C. Exchange-rate fluctuations influence company profits

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

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

Primary Applications of Major Products and Production Processes

1. Primary Applications

	Satellite communications product series	Mobile and home communications product series
Functions and features of products	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide any form of wireless communication services without geographical limits. Satellite communications offer high quality and large capacity transmissions utilizing microwave bands in addition to all other frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	<u>WLAN Networks:</u> The GSM protocol for WAN wireless communications formulated by the CEPT (European Conference of Postal and Telecommunications Administrations) in 1982 has now been widely accepted by the global telecom market and has gradually adopted advanced standards with higher bandwidths, wider coverage, and low power consumption. It has evolved from the 2G and 2.5G standards (which focused on voice communication) into the HSPA protocol that focuses on material services. The next-generation mobile broadband defined by LTE and LTE-A through OFDM technologies has also developed rapidly. With the increasing deployment of LTE-A and 5G by operators, the worldwide mobile network is entering a new era of high-speed mobile broadband and has started the development of related markets. <u>Broadband Networks (IEEE 802.11X):</u> To enable interoperability between different WLAN solutions and create a unified standard for communications between wireless and wired transmission, the IEEE (Institute of Electrical and Electronics Engineers) has defined the IEEE 802.11 standards for wireless LAN. As for middle- and long-distance wireless communications within 30 meters to 300 meters, any devices complying with IEEE 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with IEEE 802.11 standards.
Main applications	Are mainly applied to satellite TV, satellite broadcasting, and digital broadcasting services. They are utilized in areas that lack telecom services or across vast areas of land while providing diversified sources of information.	<u>WLAN Networks:</u> The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of the 4G high-bandwidth technologies described above and the establishment of 5G mobile broadband standards, the related industries are expected to develop at a rapid pace. This development will bring an improved user experience with high-speed mobile wireless broadband, bring major enhancements to IoT infrastructure, and may also form a new industry structure and generate competition among highly integrated terminal devices, thus revolutionizing the entire telecom industry. <u>Broadband Networks (IEEE 802.11X):</u> The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on IEEE 802.11 standards. IEEE 802.11 standards support long transmission distances and high data rates. At present, products conforming to IEEE 802.11a/b/g/n/ac have a data rate of 1 Gbps and a range of 30 meters to 300 meters. Therefore, WLAN products are usually applied in larger environments where wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For instance, in-home and public-area networks and enterprise applications can cover markets such as homes, enterprises, logistics, and medical care.

2. Production Process

Incoming Material Inspection	Testing	Finished Goods Inspection
↓	↓	↓
Qualifying and Warehousing	Welding	Packaging
↓	↓	↓
Material Distribution by Manufacture Order	Finished Goods Assembly	Shipping Inspection
↓	↓	↓
Pre-Processing →	Finished Goods Testing →	Warehousing

5.2.2 Supply/Demand Status of Major Raw Materials and Components

The primary raw materials and components of WNC comprise items such as integrated circuits, storage devices, LCDs, filters, chipsets, connection cables and connectors, mechanical components, dish antennas, and PCBs. WNC maintains business relations with at least two and sometimes more suppliers for each type of raw material or component, and, once vendors are qualified, maintains stable and favorable relationships with them.

In addition to fully controlling the integrity of incoming raw materials and components, WNC has strict requirements regarding the source of materials, quality, and delivery to ensure that there are no issues during the supply of raw materials and components.

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

1. Key Buyers

Unit: Thousand NT$

	2016				2017				Jan. 1, 2018–Mar. 31, 2018			
	From*	Amount	Percentage of total net sales (%)	Relation-ship with WNC	From*	Amount	Percentage of total net sales (%)	Relation-ship with WNC	From*	Amount	Percentage of total net sales (%)	Relation-ship with WNC
1	Customer A	5,375,495	10	-	Customer A	552,032	1	-	Customer A	-	-	-
2	Customer B	4,959,619	9	-	Customer B	5,863,059	10	-	Customer B	376,409	3	-
3	Others	42,444,383	81	-	Others	50,474,703	89	-	Others	11,609,969	97	-
	Total	52,779,497	100	-	Total	56,889,794	100	-	Total	11,986,378	100	-

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

2. Key Suppliers: None

5.2.4 Production Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production / Major product	2016			2017		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless communications products	265,211,000	263,832,208	47,586,007	327,300,000	326,853,511	51,816,960
Others	0	0	0	0	0	0
Total	265,211,000	263,832,208	47,586,007	327,300,000	326,853,511	51,816,960

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

5.2.5 Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Sales / Major Product	2016				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless Communications Products	25,691,419	3,241,222	187,872,821	47,560,227	19,091,904	3,072,974	249,270,611	51,939,636
Others	0	335,610	0	1,642,438	0	171,425	0	1,705,709
Total	25,691,419	3,576,832	187,872,821	49,202,665	19,091,904	3,244,399	249,270,611	53,645,395

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		2016	2017	Jan. 1, 2018– Mar. 31, 2018
Number of employees	Sales	265	348	340
	Research and development	938	1,025	1,035
	Manufacturing	1,202	1,117	1,085
	Administration	572	613	626
	Direct labor employee	6,087	6,385	6,442
Total		9,064	9,488	9,528
Average age		29.4	30.2	30.6
Average years of service		2.75	2.68	2.9
Education	PhD (%)	0.37%	0.36%	0.39%
	Master’s (%)	11.08%	10.09%	10.25%
	Bachelor’s (%)	32.66%	26.09%	26.61%
	Others (%)	55.89%	63.45%	62.75%

5.4 Environmental Protection Measures

1. 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 cooperators to conduct on-site audits at a fixed interval to ensure the process flows and the suppliers' processing methods are fulfilling the relevant regulations to avoid the rise of pollution-related issues.
   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 issues. Since the ISO 14001 environmental management system was updated in 2015, WNC has invited professional tutoring institutions to its factories to guide on-site implementation, and successfully obtained the new certificate in November 2017.
   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 a solar power station at our headquarters was launched in 2017, and green electricity was officially adopted at the end of 2017.
   WNC implemented the ISO 50001 energy management system in 2017 to clearly handle energy-use conditions with systematic management, efficiently raise energy-use efficiency, and reduce energy consumption and waste to reduce carbon emission and decrease environmental impacts.

2. 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.

3. 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 have established multiple in-plant energy-saving, carbon-reduction, and waste reduction projects and will make every effort towards their continuing implementation. As an example, an evaluated project plans for the establishment of a solar power station at S1, which will be implemented in 2018. To accurately manage the practical status of WNC's greenhouse gas emissions, WNC plans to implement the ISO 14064 greenhouse gas interrogation and management system in 2018 to better handle carbon resources for formulation of carbon reduction measures and efficient decrease of carbon emission.

6. Financial Standing

6.1 Most Recent Five-Year Condensed Financial Information

6.1.1 Consolidated Financial Information

1. Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year		Most recent five-year financial information					Jan. 1, 2018–Mar. 31, 2018
		2013	2014	2015	2016	2017	
Current assets		16,797,438	17,821,608	20,621,683	22,718,403	23,448,048	24,163,704
Property, plant, and equipment		4,669,660	5,232,640	6,398,183	6,165,546	5,620,272	5,472,610
Intangible assets		56,858	59,682	56,773	40,914	49,557	47,499
Other assets		746,274	715,505	779,361	847,049	814,465	811,594
Total assets		22,270,230	23,829,435	27,856,000	29,771,912	29,932,342	30,495,407
Current liabilities	Before distribution	11,338,995	12,115,123	14,858,513	14,621,080	13,878,386	15,212,261
	After distribution	12,304,299	13,002,784	16,098,844	15,927,614	Note	Note
Non-current liabilities		408,630	478,814	605,028	1,982,192	1,832,317	668,825
Total liabilities	Before distribution	11,747,625	12,593,937	15,463,541	16,603,272	15,710,703	15,881,086
	After distribution	12,712,929	13,481,598	16,703,872	17,909,806	Note	Note
Equity attributable to parent's shareholders		10,522,605	11,235,498	12,392,459	13,168,640	14,221,639	14,614,321
Capital stock		3,225,014	3,287,634	3,353,187	3,531,173	3,667,772	3,667,772
Capital surplus		2,212,882	2,369,650	2,369,850	2,835,611	3,059,564	3,060,016
Retained earnings	Before distribution	5,173,321	5,515,923	6,476,812	7,164,068	7,815,783	8,128,344
	After distribution	4,143,663	4,562,509	5,135,913	5,751,599	Note	Note
Other equity		(88,612)	62,291	192,610	(362,212)	(321,480)	(241,811)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	10,522,605	11,235,498	12,392,459	13,168,640	14,221,639	14,614,321
	After distribution	9,557,301	10,347,837	11,152,128	11,862,106	Note	Note

Source: Consolidated financial statements audited by a CPA; 1Q 2018 financial information reviewed and approved by a CPA

Note: The resolution for earnings distribution for 2017 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

2. Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information					Jan. 1, 2018– Mar. 31, 2018
	2013	2014	2015	2016	2017	
Net operating revenues	36,653,661	40,326,918	52,183,218	52,779,497	56,889,794	11,986,378
Gross profit	5,191,044	5,420,254	6,930,899	7,315,631	7,624,996	1,493,347
Operating income	1,783,136	1,708,627	2,347,699	2,677,189	2,561,310	349,394
Non-operating income and expenses	176,967	71,562	201,932	(47,446)	129,324	(34,388)
Income before income tax	1,960,103	1,780,189	2,549,631	2,629,743	2,690,634	315,006
Continuing operations' profit for the period	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690	276,736
Losses from discontinued operations	-	-	-	-	-	-
Net income	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690	276,736
Other comprehensive income for the period (net after-tax)	167,222	144,625	(66,478)	(303,839)	(108,420)	75,622
Total comprehensive income for the period	1,685,553	1,521,013	1,906,030	1,738,761	1,955,270	352,358
Profit to parent's shareholders	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690	276,736
Profit to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	1,685,553	1,521,013	1,906,030	1,738,761	1,955,270	352,358
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS before adjusted (NT$)	4.84	4.28	5.97	5.95	5.76	0.77

Source: Consolidated financial statements audited by a CPA; 1Q 2018 financial information reviewed and approved by a CPA

6.1.2 Parent-Company-Only Financial Information

1. Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year (Note)		Most recent five-year financial information				
		2013	2014	2015	2016	2017
Current assets		13,108,459	13,605,463	16,766,583	18,652,804	18,000,769
Property, plant, and equipment		1,858,562	2,291,171	2,837,649	3,301,377	3,219,239
Intangible assets		54,937	59,345	56,179	40,800	49,484
Other assets		4,625,107	5,484,430	5,701,877	6,177,635	6,563,629
Total assets		19,647,065	21,440,409	25,362,288	28,172,616	27,833,121
Current liabilities	Before distribution	8,715,835	9,726,097	12,364,801	13,021,784	11,779,165
	After distribution	9,681,139	10,613,758	13,605,132	14,328,318	Note
Non-current liabilities		408,625	478,814	605,028	1,982,192	1,832,317
Total liabilities	Before distribution	9,124,460	10,204,911	12,969,829	15,003,976	13,611,482
	After distribution	10,089,764	11,092,572	14,210,160	16,310,510	Note
Equity attributable to parent's shareholders		-	-	-	-	-
Capital stock		3,225,014	3,287,634	3,353,187	3,531,173	3,667,772
Capital surplus		2,212,882	2,369,650	2,369,850	2,835,611	3,059,564
Retained earnings	Before distribution	5,173,321	5,515,923	6,476,812	7,164,068	7,815,783
	After distribution	4,143,663	4,562,509	5,135,913	5,751,599	Note
Other equity		(88,612)	62,291	192,610	(362,212)	(321,480)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before distribution	10,522,605	11,235,498	12,392,459	13,168,640	14,221,639
	After distribution	9,557,301	10,347,837	11,152,128	11,862,106	Note

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

Note: The resolution for earnings distribution for 2017 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

2. Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information				
	2013	2014	2015	2016	2017
Net operating revenues	35,177,877	39,114,287	52,436,179	52,009,586	55,199,381
Gross profit	4,130,342	4,346,696	5,607,299	6,007,178	6,244,293
Operating income	1,473,202	1,384,525	1,887,661	2,217,721	2,034,102
Non-operating income and expenses	391,666	300,744	568,762	304,007	467,340
Income before income tax	1,864,868	1,685,269	2,456,423	2,521,728	2,501,442
Continuing operations' profit for the period	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690
Losses from discontinued operations	-	-	-	-	-
Net income	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690
Other comprehensive income for the period (net after-tax)	167,222	144,625	(66,478)	(303,839)	(108,420)
Total comprehensive income for the period	1,685,553	1,521,013	1,906,030	1,738,761	1,955,270
Profit to parent's shareholders	1,518,331	1,376,388	1,972,508	2,042,600	2,063,690
Profit to non-controlling interests	-	-	-	-	-
Total comprehensive income to parent's shareholders	1,685,553	1,521,013	1,906,030	1,738,761	1,955,270
Total comprehensive income to non-controlling interests	-	-	-	-	-
EPS before adjusted (NT$)	4.84	4.28	5.97	5.95	5.76

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
2013	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unmodified opinion
2014	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unmodified opinion
2015	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2016	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2017	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion

6.2 Most Recent Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item	Period	Most recent five-year financial information					Jan. 1, 2018–Mar. 31, 2018
		2013	2014	2015	2016	2017	
Financial ratio (%)	Total liabilities to total assets	52.75	52.85	55.51	55.77	52.49	52.08
	Long-term debts to property, plant, and equipment	225.34	214.72	193.69	235.97	273.92	267.04
Ability to pay off debt (%)	Current ratio	148.14	147.10	138.79	155.38	168.95	158.84
	Quick ratio	118.52	107.45	93.12	111.74	119.00	107.32
	Interest coverage ratio	31.02	36.54	92.72	55.75	36.25	19.37
Ability to operate	A/R turnover (times)	6.63	6.18	6.04	5.39	5.72	5.17
	A/R turnover days	55	59	60	68	64	71
	Inventory turnover (times)	9.72	9.18	8.19	7.13	7.65	5.88
	Average days to sell inventory	38	40	45	51	48	62
	Accounts payable turnover (times)	6.66	5.48	5.37	5.14	6.10	5.24
	Property, plant, and equipment turnover (times)	7.77	8.14	8.97	8.40	9.65	8.64
	Total assets turnover (times)	1.70	1.75	2.02	1.83	1.91	1.59
Earnings ability	Return on assets (%)	7.28	6.14	7.72	7.23	7.13	3.85
	Return on equity (%)	15.21	12.65	16.70	15.98	15.07	7.68
	Profit before tax to paid-in capital ratio (%)	61.01	54.15	76.04	74.56	73.36	34.35
	Net income ratio (%)	4.14	3.41	3.78	3.87	3.63	2.31
	EPS (NT$)	4.84	4.28	5.97	5.95	5.76	0.77
Cash flow (%)	Cash flow ratio	36.63	11.76	10.55	23.53	12.26	50.44
	Cash flow adequacy ratio	Note	Note	Note	95.24	81.47	103.08
	Cash reinvestment ratio	23.37	2.73	3.58	10.17	1.70	33.71
Leverage	Operating leverage	1.55	1.58	1.50	1.50	1.48	5.35
	Financial leverage	1.04	1.03	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. The decrease of the interest coverage ratio: Due to the increase of the interest expenses of the loan.
2. The decrease of the cash flow ratio: Due to the decrease of the net cash flows generated from operating activities.
3. The decrease of the cash reinvestment ratio: Due to the decrease of the net cash flows generated from operating activities.

Source: Consolidated financial statements audited by a CPA; 1Q 2018 financial information reviewed and approved by a CPA

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

6.2.2 Parent-Company-Only Financial Analysis

Item \ Period		Most recent five-year financial information				
		2013	2014	2015	2016	2017
Financial ratio (%)	Total liabilities to total assets	46.44	47.60	51.14	53.26	48.90
	Long-term debts to property, plant, and equipment	566.17	490.38	436.72	440.70	478.23
Ability to pay off debt (%)	Current ratio	150.40	139.89	135.60	143.24	152.82
	Quick ratio	138.07	119.48	112.84	125.70	132.34
	Interest coverage ratio	44.76	59.64	222.18	70.43	39.77
Ability to operate	A/R turnover (times)	5.86	5.88	5.48	4.57	5.13
	A/R turnover days	62	62	67	80	71
	Inventory turnover (times)	29.28	26.66	21.21	18.89	22.25
	Average days to sell inventory	12	14	17	19	16
	Accounts payable turnover (times)	8.17	6.36	6.12	5.55	6.63
	Property, plant, and equipment turnover (times)	18.82	18.85	20.45	16.94	16.93
	Total assets turnover (times)	1.88	1.90	2.24	1.94	1.97
Earnings ability	Return on assets (%)	8.28	6.81	8.47	7.74	7.56
	Return on equity (%)	15.21	12.65	16.70	15.98	15.07
	Profit before tax to paid-in capital ratio (%)	58.05	51.26	73.26	71.41	68.20
	Net income ratio (%)	4.32	3.52	3.76	3.93	3.74
	EPS (NT$)	4.84	4.28	5.97	5.95	5.76
Cash flow (%)	Cash flow ratio (%)	36.83	19.5	Note 2	30.27	10.05
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	108.49	100.26
	Cash reinvestment ratio (%)	20.82	6.93	Note 2	15.45	Note 2
Leverage	Operating leverage	1.23	1.25	1.31	1.29	1.22
	Financial leverage	1.03	1.02	1.01	1.02	1.03
Analysis of items whose increased or decreased amounts are above 20% in the last two years: 1. The decrease of the interest coverage ratio: Due to the increase of the interest expenses of the loan. 2. The decrease of the cash flow ratio: Due to the decrease of the net cash flows generated from operating activities.						

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 is negative and has no value for analysis.

6.3 2017 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2017 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, 2018 Annual Shareholders' Meeting

Chairman of the Audit Committee: Robert Hung

March 14, 2018

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, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of Receivables

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

3. Estimation of Warranty Provisions

Please refer to Note 4(15) “Summary of Significant Accounting Policies－Provisions” , Note 5 “Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty”, and Note 6(9) “Description of Significant Accounts－Provisions－current” to the consolidated financial statements.

Description of key audit matters:

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

How the matter was addressed in our audit:

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

Other Matter

Wistron NeWeb Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2018

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

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

Wistron NeWeb Corporation and its subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 3,714,831	12	4,259,482	14
Available-for-sale financial assets－current (note 6(2))	2,632,450	9	1,891,626	6
Notes receivable (note 6(2))	247,990	1	230,542	1
Accounts receivable, net (note 6(2))	9,717,839	33	9,482,039	32
Accounts receivable from related parties (note 7)	116,745	-	101,473	-
Inventories, net (note 6(3))	6,704,345	22	6,170,721	21
Non-current assets held for sale (note 6(4))	-	-	262,859	1
Other financial assets－current (notes 6(2) and 8)	86,036	-	109,950	-
Other current assets	227,812	1	209,711	1
Total current assets	23,448,048	78	22,718,403	76
Non-current assets:				
Financial assets carried at cost－non-current (note 6(2))	112,862	-	126,056	-
Investments accounted for using equity method (notes 6(5) and 7)	121,228	1	133,123	1
Property, plant and equipment (notes 6(6) and 7)	5,620,272	19	6,165,546	21
Intangible assets (note 6(7))	49,557	-	40,914	-
Deferred tax assets (note 6(13))	403,047	1	392,513	1
Refundable deposits (note 7)	7,470	-	7,605	-
Other non-current assets (note 6(2))	169,858	1	187,752	1
Total non-current assets	6,484,294	22	7,053,509	24
Total assets	**$ 29,932,342**	**100**	**29,771,912**	**100**

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and its subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2017			December 31, 2016	
Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
Current liabilities:					
Short-term borrowings (note 6(8))	$	2,688,304	9	2,359,393	8
Notes and accounts payable		7,727,680	26	8,328,376	28
Accounts payable to related parties (note 7)		40,369	-	66,480	-
Salary and bonus payable		1,414,525	5	1,410,530	5
Other accrued expenses		877,913	3	1,012,456	3
Provisions－current (note 6(9))		260,339	1	259,102	1
Other current liabilities		869,256	3	1,184,743	4
Total current liabilities		13,878,386	47	14,621,080	49
Non-current liabilities:					
Bonds payable (note 6(10))		1,173,627	4	1,380,491	5
Deferred tax liabilities (note 6(13))		564,478	2	499,768	2
Net defined benefit liabilities－non-current (note 6(12))		92,130	-	98,478	-
Other non-current liabilities		2,082	-	3,455	-
Total non-current liabilities		1,832,317	6	1,982,192	7
Total liabilities		15,710,703	53	16,603,272	56
Equity (notes 6(14) and (15))**:**					
Ordinary share capital		3,667,772	12	3,526,975	12
Advance receipts for share capital		-	-	4,198	-
Capital surplus		3,059,564	10	2,835,611	9
Retained earnings		7,815,783	26	7,164,068	24
Other equity interest		(321,480)	(1)	(362,212)	(1)
Total equity		14,221,639	47	13,168,640	44
Total liabilities and equity	**$**	**29,932,342**	**100**	**29,771,912**	**100**

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Net operating revenue (notes 6(17) and 7)	$ 56,889,794	100	52,779,497	100
Operating costs (notes 6(3), (11), (12), (18) and 7)	49,264,798	86	45,463,866	86
Gross profit	7,624,996	14	7,315,631	14
Operating expenses (notes 6(11), (12), (18) and 7)**:**				
Selling	1,977,207	3	1,699,880	3
General and administrative	970,401	2	934,912	2
Research and development	2,116,078	4	2,003,650	4
Total operating expenses	5,063,686	9	4,638,442	9
Net operating income	2,561,310	5	2,677,189	5
Non-operating income and expenses:				
Other income (notes 6(19) and 7)	207,212	-	130,634	-
Other gains and losses, net (note 6(19))	7,574	-	(131,925)	-
Finance costs (note 6(19))	(76,334)	-	(48,031)	-
Share of profit (loss) of associates accounted for using equity method (note 6(5))	(9,128)	-	1,876	-
Total non-operating income and expenses	129,324	-	(47,446)	-
Income before income tax	2,690,634	5	2,629,743	5
Income tax expenses (note 6 (13))	626,944	1	587,143	1
Net income	2,063,690	4	2,042,600	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans (note 6(12))	595	-	(18,446)	-
Income tax relating to items that will be not reclassified subsequently (note 6(13))	(101)	-	3,136	-
Total items that will not be reclassified subsequently to profit or loss	494	-	(15,310)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(126,646)	-	(460,589)	(1)
Unrealized gains (losses) on available-for-sale financial assets	(3,798)	-	93,760	-
Income tax relating to items that may be reclassified subsequently (note 6(13))	21,530	-	78,300	-
Total items that may be reclassified subsequently to profit or loss	(108,914)	-	(288,529)	(1)
Other comprehensive income	(108,420)	-	(303,839)	(1)
Total comprehensive income	**$ 1,955,270**	**4**	**1,738,761**	**3**
Earnings per share (New Taiwan Dollars) (note 6(16))				
Basic earnings per share	**$ 5.76**		**5.78**	
Diluted earnings per share	**$ 5.44**		**5.46**	

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

				Retained earnings				Other equity interest				
	Ordinary share capital	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappro-priated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2016	$ 3,353,187	-	2,369,850	1,395,202	108,123	4,973,487	6,476,812	242,913	1,182	(51,485)	192,610	12,392,459
Net income for the period	-	-	-	-	-	2,042,600	2,042,600	-	-	-	-	2,042,600
Other comprehensive income for the period	-	-	-	-	-	(15,310)	(15,310)	(382,289)	93,760	-	(288,529)	(303,839)
Total comprehensive income for the period	-	-	-	-	-	2,027,290	2,027,290	(382,289)	93,760	-	(288,529)	1,738,761
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	197,251	-	(197,251)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(1,240,331)	(1,240,331)	-	-	-	-	(1,240,331)
Stock dividends distributed to shareholder	100,568	-	-	-	-	(100,568)	(100,568)	-	-	-	-	-
Issuance of restricted stock awards	69,900	-	338,981	-	-	-	-	-	-	(408,881)	(408,881)	-
Compensation cost of issued restricted stock awards	-	-	472	-	-		865	-	-	142,588	142,588	143,925
Expiration of restricted stock awards	(2,420)	-	2,420	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	55,050	-	-	-	-	-	-	-	-	55,050
Conversion of convertible bonds	5,740	4,198	68,838	-	-	-	-	-	-	-	-	78,776
Balance as of December 31, 2016	3,526,975	4,198	2,835,611	1,592,453	108,123	5,463,492	7,164,068	(139,376)	94,942	(317,778)	(362,212)	13,168,640
Net income for the period	-	-	-	-	-	2,063,690	2,063,690	-	-	-	-	2,063,690
Other comprehensive income for the period	-	-	-	-	-		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)	-	-	-	-	-
Issuance of restricted stock awards	5,100	-	24,902	-	-	-	-	-	-	(30,002)	(30,002)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	179,648	179,648	179,648
Expiration of restricted stock awards	(2,530)	-	2,530	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	32,292	(4,198)	196,521	-	-	-	-	-	-	-	-	224,615
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**

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and its Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

		For the years ended December 31,	
		2017	2016
Cash flows from operating activities:			
Income before income tax	$	2,690,634	2,629,743
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation		1,165,407	1,279,531
Amortization		55,251	61,344
Provision for doubtful accounts, net		12,174	18,318
Net loss on financial assets and liabilities at fair value through profit or loss		-	172
Interest expense		76,334	48,031
Interest income		(22,952)	(15,532)
Dividend income		(20,016)	(17,185)
Compensation cost of issued restricted stock awards		179,648	143,925
Share of (profit) loss of associates accounted for using equity method		9,128	(1,876)
Gain on disposal of property, plant and equipment		(6,206)	(7,221)
Gain on disposal of non-current assets held for sale		(93,141)	-
Gain on disposal of investment		(1,001)	(2,571)
Impairment loss on financial assets		28,305	-
Adjustment for other non-cash-related losses, net		3,732	19,226
Provision for inventory devaluation loss		30,905	131,022
Provision for allowance for sales discount		202,609	107,922
Total adjustments to reconcile profit (loss)		1,620,177	1,765,106
Changes in operating assets and liabilities:			
Notes receivable		(17,448)	92,165
Accounts receivable		(450,583)	(337,341)
Accounts receivable from related parties		(15,272)	37,355
Inventories		(564,529)	286,778
Other operating assets		6,840	(7,234)
Notes and accounts payable		(600,696)	(852,018)
Accounts payable to related parties		(26,111)	(47,018)
Other operating liabilities		(305,366)	449,256
Total changes in operating assets and liabilities		(1,973,165)	(378,057)
Total adjustments		(352,988)	1,387,049
Cash flows generated from operations		2,337,646	4,016,792
Interest received		23,003	14,539
Dividend received		20,016	17,185
Interest paid		(55,591)	(27,951)
Income tax paid		(623,166)	(580,177)
Net cash flows generated from operating activities		1,701,908	3,440,388
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		(1,535,717)	(3,625,096)
Proceeds from disposal of available-for-sale financial assets		792,096	2,569,517
Acquisition of financial assets carried at cost－non-current		(15,111)	(15,720)
Proceeds from disposal of non-current assets held for sale		284,800	-
Acquisition of property, plant and equipment		(668,762)	(1,688,098)
Proceeds from disposal of property, plant and equipment		6,271	18,944
Decrease in refundable deposits		135	1,332
Acquisition of intangible assets		(63,896)	(45,507)
Increase in other financial assets		(2,500)	(20,000)
Capital received from an associate		-	7,519
Net cash flows used in investing activities		(1,202,684)	(2,797,109)
Cash flows from financing activities:			
Increase in short-term borrowings		328,911	291,513
Issuance of convertible bonds		-	1,494,710
Cash dividends paid		(1,306,534)	(1,240,331)
Net cash flows generated from (used in) financing activities		(977,623)	545,892
Effect of exchange rate changes		(66,252)	(148,423)
Net increase (decrease) in cash and cash equivalents		(544,651)	1,040,748
Cash and cash equivalents at beginning of period		4,259,482	3,218,734
Cash and cash equivalents at end of period	$	3,714,831	4,259,482

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(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, 2017, 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 14, 2018.

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

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendment to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
Amendment to IAS 1 *Disclosure Initiative*	January 1, 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	January 1, 2016
Amendment to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014

(Continued)

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
Amendment to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendment to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual improvements 2010-2012 and 2011-2013	July 1, 2014
Annual improvements 2012-2014	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

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

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

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

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

(Continued)

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 signification changes are as follows:

A. 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.

(a) Classification and measurement－Financial assets

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

Based on its assessment, the Group does not expect that the new classification requirements will have a material impact on its accounting for accounts receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $2,632,450 and financial assets measured at cost of $112,862. If these investments continue to be held for the same purpose at the application of IFRS 9, the Group will classify them as FVTPL and FVOCI, respectively. Consequently, if the Group has designated these investments as measured at FVOCI, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018, which may result in the adjustments of assets, retained earnings and other equity.

(b) Impairment－Financial assets and contact assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

(Continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the end of the reporting period (hereinafter referred to as the reporting date); and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for accounts receivable and contract assets without a significant financing component; an entity may choose to apply this policy also for accounts receivable and contract assets with a significant financing component.

The Group's assessment indicated that the application of IFRS 9's impairment requirements would not have any material impact on its consolidated financial statements.

(c) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(d) Transition

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

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

(Continued)

B. 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.

(a) Sales of goods

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 will be recognized when a customer obtains control of the goods. The Group has performed an assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

(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. The said contracts are currently 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. Hence, the allocated transaction prices to pre-production activities may be recognized as revenue prior to the current sales of good.

(c) Warranties

The Group provides warranties for different categories of products. The warranty provision is currently estimated based on the probability for repairing or replacing the products. Under IFRS 15, the warranties are divided into assurance-type warranty and service-type warranty; if the Group provide the service-type warranty, that warranty should be accounted for as a separate performance obligation. The Group has to perform an assessment providing standard warranties to customers ensuring the product specifications are based on the agreement. Therefore, the Group does not expect that there will be a significant impact on its consolidated financial statements.

(Continued)

(d) Transition

The Group plans to 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 cumulative effect of the first application of the principle will adjust the retained earnings of January 1, 2018.

The Group plans to use the practical expedients for completed contracts. This means that when a contract reaches its maturity in the same comparative reporting period, and when a contract is deemed as a completed contracts at the beginning of the earliest period presented, it will not be restated.

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 intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

D. Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Loss*

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group estimated the application of the amendments would not have any material impact on its consolidated financial statements.

The actual impacts of adopting the above standards may change depending on the economic conditions and events which may occur in the future.

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

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

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

(Continued)

New Standards, Interpretations and Amendments	Effective date per IASB
Amendment to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendment to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019

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

Issue Dates	New Standards and Amendments	Content of amendment
January 13, 2016	IFRS 16 *Leases*	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability. ・A lessor shall classify a lease as either finance lease or operating lease. The accounting treatment remains similar in accordance with IAS 17 *Leases*.

The Group 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.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

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

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

(c) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and the entities controlled by the Company (its subsidiaries). The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at, December 31, 2017	Percentage of Ownership at, December 31, 2016
the Company	ANC Holding Corp. (ANCH)	Sales and trading of wireless communication products and electronic components	100%	100%
the Company	NeWeb Holding Corp. (NEWH)	Investment holding company	100%	100%

(Continued)

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at, December 31, 2017	Percentage of Ownership at, December 31, 2016
the Company	WNC Holding Corp. (WNCH)	Investment holding company	100%	100%
the Company	W-NeWeb Corp. (NUSA)	Sales of satellite communication and portable communication products	100%	100%
the Company	WNC GmbH (NDE)	Services for wireless communication products	100%	100%
the Company	WNC UK Limited (NUK)	Services for wireless communication products	100%	100%
the Company	WNC JAPAN Inc. (NJP)	Services for wireless communication products	100%	100%
NEWH	WNC (Kunshan) Corp. (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Corp. (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corp. (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Service (Kunshan) Corp. (NQC)	Repair and maintenance services for satellite communication and portable communication products	100%	100%

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

(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 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 on retranslation are recognized in profit or loss except for the available-for-sale financial assets' differences, which are recognized in other comprehensive income.

B. Foreign operations

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

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

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

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

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

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

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

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

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.

(6) Cash and cash equivalents

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

(Continued)

(7) Financial instruments

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

A. Financial assets

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments are recognized in 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.

(Continued)

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

(Continued)

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

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

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

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

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

(b) Other financial liabilities

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

(c) Derecognition of financial liabilities

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

(d) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments

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

(Continued)

(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) Investment in associates

Associates are those entities over which the Group has a significant influence and the authority to participate in the financial and operating policy decisions of the 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: 3 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 3 years for intangible assets, from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each 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

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

(16) Revenue recognition

A. Goods sold

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

B. Service

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

(17) Employee benefits

A. Defined contribution plans

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

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.

(Continued)

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.

(18) Share-based payment

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

(19) Income tax

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

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

(Continued)

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.

(20) Earnings per share

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

(21) Operating segment information

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

(Continued)

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

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

(1) Impairment of receivables

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

(2) Valuation of 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 period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(3) for further description of the valuation of inventories.

(3) Recognition and measurement of warranty provisions

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

(Continued)

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash, cash in bank and checking deposits	$ 1,372,491	1,367,576
Time deposits	2,342,340	2,891,906
	$ 3,714,831	4,259,482

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

(2) Financial assets

A. Details were as follows:

	December 31, 2017	December 31, 2016
(a) Available-for-sale financial assets－current:		
Beneficiary certificates－mutual funds	$ 1,924,841	1,465,075
Domestic listed stocks	707,609	426,551
	$ 2,632,450	1,891,626
(b) Financial assets carried at cost－non-current:		
Foreign unlisted common stocks－ GreenWave Holdings Inc.	$ 56,195	56,195
NeWave Sensor Solutions, LLC	3,145	31,450
Foreign unlisted preferred stocks－		
EL Preferred Holdings, Inc.	22,691	22,691
Movandi Corporation	30,831	15,720
	$ 112,862	126,056

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, net. Please refer to note 6(19).

(c) Notes receivable

	December 31, 2017	December 31, 2016
Notes receivable from operating activities	$ 247,990	230,542

(Continued)

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

	December 31, 2017	December 31, 2016
Current:		
Accounts receivable	$ 9,954,570	9,613,350
Other receivables (recorded in other financial assets－current)	54,549	88,809
Less: allowance for doubtful accounts	(89,942)	(78,789)
allowance for sales discounts	(146,789)	(52,522)
	$ 9,772,388	9,570,848
Non-current:		
Overdue receivable	$ 176,264	176,264
Less: allowance for doubtful accounts	(176,264)	(176,264)
Overdue receivable, net (recorded in other non-current assets)	$ -	-

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

	December 31, 2017		December 31, 2016	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 9,360,276	-	8,467,800	-
Past due 0~60 days	776,113	-	1,147,333	31
Past due 61~90 days	61,919	-	86,259	39
Past due 91~180 days	56,654	440	129,100	-
Past due more than 181 days	295,156	265,766	379,946	254,983
	$ 10,550,118	266,206	10,210,438	255,053

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2017	$ 251,969	3,084	255,053
Impairment loss recognized (reversed)	13,771	(351)	13,420
Reversal of amounts received	(1,246)	-	(1,246)
Write-off for the period	(1,021)	-	(1,021)
Balance as of December 31, 2017	$ 263,473	2,733	266,206

(Continued)

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

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

B. Sensitivity analysis

If there had been an increase or decrease in the fair value of securities of 1% on the reporting date, after-tax, other comprehensive income would have increased (or decreased) by $26,325 and $18,916 for the years ended December 31, 2017 and 2016, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

(3) Inventories, net

	December 31, 2017	December 31, 2016
Raw materials	$ 3,881,273	2,567,788
Work in process and semi-finished products	659,312	470,000
Finished goods	2,163,760	3,132,933
	$ 6,704,345	6,170,721

The details of operating costs were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Cost of goods sold	$ 49,251,647	45,358,211
Inventory devaluation loss	30,905	131,022
Revenue from sale of scrap	(16,975)	(25,241)
Physical inventory gain	(779)	(126)
	$ 49,264,798	45,463,866

(Continued)

(4) Non-current assets held for sale

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ -	262,859

On November 9, 2016, the Company's board of directors approved to sell its building, located at No. 10-1, Lihsin 1st Rd., Hsinchu City 300, Taiwan, R.O.C., to Integrated Service Technology Inc. and received the amount of $71,200 in 2016. The transfer procedure was completed in March 2017; the selling price and the gain on disposal amounted to $356,000 (tax excluded) and $93,141, respectively. As of December 31, 2017, the receivables resulting from the above transactions had been settled.

(5) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Aggregate information of associates that are not individually material	$ 121,228	133,123

Shares attributable to the Group were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Net income (loss)	$ (9,128)	1,876
Other comprehensive income	-	-
Total comprehensive income	$ (9,128)	1,876

(6) 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, 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

(Continued)

	Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Balance as of January 1, 2016	$ 4,460,634	5,798,529	724,805	1,071,812	670,657	12,726,437
Additions	552,380	209,924	148,615	141,832	537,808	1,590,559
Disposals and obsolescence	(1,011)	(179,070)	(1,641)	(16,221)	-	(197,943)
Reclassification	282,404	276,468	32,533	53,805	(1,031,959)	(386,749)
Effect of exchange rate changes	(205,002)	(357,469)	(4,707)	(77,705)	(2,835)	(647,718)
Balance as of December 31, 2016	$ 5,089,405	5,748,382	899,605	1,173,523	173,671	13,084,586
Accumulated depreciation:						
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
Balance as of January 1, 2016	$ 1,440,033	3,686,315	568,876	633,030	-	6,328,254
Depreciation for the period	250,726	746,573	87,556	194,676	-	1,279,531
Disposals and obsolescence	(1,011)	(167,847)	(1,641)	(15,720)	-	(186,219)
Reclassification	(147,438)	(36)	-	-	-	(147,474)
Effect of exchange rate changes	(73,932)	(234,485)	(3,479)	(43,156)	-	(355,052)
Balance as of December 31, 2016	$ 1,468,378	4,030,520	651,312	768,830	-	6,919,040
Book value:						
Balance as of December 31, 2017	$ 3,403,737	1,520,540	234,652	336,345	124,998	5,620,272
Balance as of December 31, 2016	$ 3,621,027	1,717,862	248,293	404,693	173,671	6,165,546

(7) Intangible assets

	Software	Royalty	Total
Cost:			
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
Balance as of January 1, 2016	$ 167,961	20,273	188,234
Additions	41,471	4,036	45,507
Write-off	(63,350)	(12,966)	(76,316)
Effect of exchange rate changes	(473)	-	(473)
Balance as of December 31, 2016	$ 145,609	11,343	156,952

(Continued)

		Software	Royalty	Total
Amortization:				
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
Balance as of January 1, 2016	$	115,382	16,079	131,461
Amortization for the period		54,796	6,548	61,344
Write-off		(63,350)	(12,966)	(76,316)
Effect of exchange rate changes		(451)	-	(451)
Balance as of December 31, 2016	$	106,377	9,661	116,038
Book value:				
Balance as of December 31, 2017	$	48,801	756	49,557
Balance as of December 31, 2016	$	39,232	1,682	40,914

(8) Short-term borrowings

	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

	December 31, 2016				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	1.18%~1.90%	2017	$	2,128,299
Unsecured bank loans	EUR	0.79%	2017		111,964
Unsecured bank loans	CNY	4.35%	2017		119,130
Total				$	2,359,393

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

(Continued)

(9) Provisions–current

	Warranties	Allowance for sales returns	Total
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
Balance as of January 1, 2016	$ 176,072	55,254	231,326
Provisions made (reversed) for the period	102,563	(4,867)	97,696
Provisions utilized during the period	(41,238)	(1,143)	(42,381)
Provisions reclassify for the period	-	(27,539)	(27,539)
Balance as of December 31, 2016	$ 237,397	21,705	259,102

(10) Bonds payable

	December 31, 2017	December 31, 2016
Convertible bonds payable	$ 1,500,000	1,500,000
Unamortized bonds payable discount	(16,173)	(38,309)
Accumulated amount of converted bonds	(310,200)	(81,200)
Book value	$ 1,173,627	1,380,491
Equity element – conversion options (recorded in capital surplus – share options)	$ 117,826	126,230

	For the years ended December 31, 2017	For the years ended December 31, 2016
Interest expense	$ 17,751	19,607

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 $76.3 per share since August 16, 2017.

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

(11) Operating lease

A. Lessee

For the years ended December 31, 2017 and 2016, $71,001 and $76,486, respectively, were recognized as expenses in profit or loss in respect of operating leases.

The Group entered into a land lease agreement with the Hsinchu Science Park Administration. The period of the land lease agreement is twenty years. The monthly rent is $2,260. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2017 and 2016, the operating leases of $7,457 and $8,208, 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, 2017 and 2016, the amounts of $1,690 and $1,826, respectively, were recognized as expenses in profit or loss. As of December 31, 2017 and 2016, the unamortized balance were $66,221 and $69,128, respectively.

(12) 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,	
	2017	**2016**
Present value of the defined benefit obligation	$ 248,785	263,917
Fair value of plan assets	(156,655)	(165,439)
Net defined benefit liabilities	**$ 92,130**	**98,478**

(Continued)

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

(a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $156,655 as of December 31, 2017. 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, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	**2016**
Defined benefit obligation as of January 1	$ 263,917	242,377
Current service costs and interest	3,985	4,948
Remeasurements of the net defined benefit liabilities		
－Actuarial loss (gain) arising from experience adjustments	7,614	(1,516)
－Actuarial loss (gain) arising from changes in financial assumptions	(8,992)	18,108
Benefits paid from plan assets	(17,739)	-
Defined benefit obligation as of December 31	**$ 248,785**	**263,917**

(Continued)

(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, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	**2016**
Fair value of plan assets as of January 1	$ 165,439	156,900
Interest income	2,305	2,992
Remeasurements of the net defined benefit liabilities		
－Return on plan assets (excluding current interest)	(783)	(1,854)
Contributions made	7,273	7,401
Benefits paid from plan assets	(17,579)	-
Fair value of plan assets as of December 31	**$ 156,655**	**165,439**

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2017 and 2016, were as follows:

	For the years ended December 31,	
	2017	**2016**
Current service costs	$ 377	422
Net interest on the net defined benefit liabilities	1,303	1,534
	$ 1,680	**1,956**

(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, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	**2016**
Cumulative amount as of January 1	$ (156,868)	(138,422)
Recognized for the period	595	(18,446)
Cumulative amount as of December 31	**$ (156,273)**	**(156,868)**

(Continued)

(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,	
	2017	**2016**
Discount rate	1.625%	1.375%
Future salary increase rate	4.000%	4.000%

The Company expects to make a contribution of $7,465 to its defined benefit plans in the following year, beginning December 31, 2017.

The weighted-average duration of the defined benefit obligation is 16.67 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2017, 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	$ (8,557)	8,992
Future salary increase rate	$ 8,635	(8,275)

Reasonably possible changes to one of the relevant actuarial assumptions on December 31, 2017, 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.

(Continued)

The Group's pension costs under the defined contribution plan were $218,918 and $217,817 for the years ended December 31, 2017 and 2016, respectively.

(13) Income tax

A. Income tax expenses

The amount of income tax expenses for the years ended December 31, 2017 and 2016, was as follows:

	For the years ended December 31,	
	2017	**2016**
Current income tax expense		
Current period	$ 540,887	604,512
10% surtax on unappropriated retained earnings	41,056	37,615
Adjustment for prior period	(30,604)	(22,964)
	551,339	619,163
Deferred income tax expense		
Origination and reversal of temporary differences	75,605	(32,020)
Income tax expenses	**$ 626,944**	**587,143**

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2017 and 2016, was as follows:

	For the years ended December 31,	
	2017	**2016**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ (101)**	**3,136**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ 21,530**	**78,300**

(Continued)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2017 and 2016 was as follows:

	For the years ended December 31, 2017	2016
Income before income tax	$ 2,690,634	2,629,743
Income tax at the Company's domestic tax rate	$ 457,408	447,056
Effect of different tax rates in foreign jurisdictions	156,194	89,070
Non-deductible expenses and others	82,159	64,901
Tax-exempt income	(79,269)	(38,637)
10% surtax on unappropriated retained earnings	41,056	37,615
Over-provision in prior periods	(30,604)	(12,862)
Total	$ 626,944	587,143

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

Deferred tax assets:

	Defined benefit plans	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	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, 2017	$ 26,668	23,975	32,267	-	123,445	-	186,158	392,513
Recognized in profit or loss	-	2,854	(4,979)	-	(48,139)	5,205	35,317	(9,742)
Recognized in other comprehensive income	(101)	-	-	20,377	-	-	-	20,276
Balance as of December 31, 2017	$ 26,567	26,829	27,288	20,377	75,306	5,205	221,475	403,047
Balance as of January 1, 2016	$ 23,532	20,358	17,309	-	82,226	4,286	146,586	294,297
Recognized in profit or loss	-	3,617	14,958	-	41,219	(4,286)	39,572	95,080
Recognized in other comprehensive income	3,136	-	-	-	-	-	-	3,136
Balance as of December 31, 2016	$ 26,668	23,975	32,267	-	123,445	-	186,158	392,513

(Continued)

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized foreign exchange gain or loss	Others	Total
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)**
Balance as of January 1, 2016	$ (435,525)	(79,453)	-	(30)	(515,008)
Recognized in profit or loss	(57,904)	-	(5,186)	30	(63,060)
Recognized in other comprehensive income	-	78,300	-	-	78,300
Balance as of December 31, 2016	**$ (493,429)**	**(1,153)**	**(5,186)**	**-**	**(499,768)**

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

D. Integrated income tax information:

	December 31,	
	2017 (Note)	**2016**
Unappropriated retained earnings of 1998 and after	**$ 5,910,947**	**5,463,492**
Balance of imputation credit account ("ICA")	**$ 971,894**	**852,160**

	For the years ended December 31,	
	2017 (estimated)	**2016 (actual)**
Tax deduction ratio for earnings distribution to R.O.C. residents	**(Note)**	**19.81 %**

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

Note: 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, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(Continued)

(14) Capital and other equity interest

A. Issuance and cancellation of ordinary shares

As of December 31, 2017 and 2016, 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 $3,667,772 and $3,526,975, respectively.

As of December 31, 2017, the Company cancelled 253 thousand shares of restricted stock, awarded to its employees, of which, 193 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.

As of December 31, 2016, the Company cancelled 242 thousand shares of restricted stock, awarded to its employees, of which, 148 had already been cancelled on December 21, 2016, with the completion of the registration procedures on January 9, 2017. In addition, the Company issued 6,990 thousand shares of restricted stock awards for the year ended December 31, 2016. New ordinary shares of stock totaling 994 thousand shares were issued from the conversion of convertible bonds, of which, 420 thousand shares, which were accounted for under advance receipts for share capital as the registration procedures were yet to be completed as of December 31, 2016.

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 amounting to $105,935. The effective date of the capital increase was August 16, 2017, which has already been registered with the government authorities.

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

B. Capital surplus

	December 31, 2017	December 31, 2016
Capital surplus－premium	$ 2,287,600	2,157,404
Treasury stock sold to employees	100,454	100,454
Conversion options of bonds	117,826	126,230
Restricted stock awards	240,289	343,053
Convertible bonds payable－premium	276,742	71,817
Capital surplus from merger	36,653	36,653
	$ 3,059,564	**2,835,611**

(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, 2017 and 2016.

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

(Continued)

(c) Earnings distribution

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

The following are the appropriation of earnings in 2016 and 2015 which were approved during the shareholders' meeting held on June 16, 2017 and June 16, 2016, respectively:

	2016		2015	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.6672	1,306,534	3.7000	1,240,331
Shares	0.2973	105,935	0.3000	100,568
		$ 1,412,469		1,340,899

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 2017 will be presented for resolution in the Board of Directors' meeting on March 14, 2018 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meeting.

(Continued)

(15) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2017, is as follows:

	Restricted stock awards		
	Issued in 2017	**Issued in 2016**	**Issued in 2014**
Grant date	July 3, 2017	November 1, 2016	September 15, 2014
Granted units (thousands)	510	6,990	390
Contractual life	1~3 years	1~3 years	1~3 years
Vesting condition	Note	Note	Note
Price per share (TWD)	0	0	0
Adjusted exercise price (TWD)	0	0	0

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

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

	Restricted stock awards		
	Issued in 2017	**Issued in 2016**	**Issued in 2014**
Exercise price (TWD)	0	0	0
Current market price at grant date (TWD)	90.8	87	73.8
Expected cash dividend yield	0%	0%	0%
Expected volatility	25.02%/33.90%/ 33.56%	31.45%/36.72%/ 34.31%	29.27%
Risk-free interest rate	0.23%/0.25%/ 0.28%	0.23%/0.25%/ 0.28%	0.5005%/0.6871%/ 0.8971%
Expected remaining contractual life of the awards	1~3 years	1~3 years	1~3 years

(Continued)

C. Restricted stock awards

On June 16, 2016, pursuant to the resolutions of its shareholders' meeting, the Company issued 7,500 thousand shares of restricted stock awards to those full-time employees who conformed to the Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On 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.

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

For the years ended December 31, 2017 and 2016, the Company issued the restricted stock awards of 510 thousand shares and 6,990 thousand shares, respectively, to its employees, which resulted in a capital surplus－restricted stock awards of $24,902 and $338,981, respectively. For the years ended December 31, 2017 and 2016, 253 thousand shares and 242 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $2,530 and $2,420, respectively. As of December 31, 2017 and 2016, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $168,132 and $317,778, respectively. Such deferred amounts were recorded as deduction of other equity.

(Continued)

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

(16) Earnings per share

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

	For the years ended December 31, 2017	For the years ended December 31, 2016
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 2,063,690	2,042,600
Weighted-average number of ordinary shares (in thousands)	358,251	343,275
Basic earnings per share (TWD)	$ 5.76	5.95
Basic earnings per share－retrospectively adjusted (TWD)		$ 5.78

	For the years ended December 31, 2017	For the years ended December 31, 2016
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 2,063,690	2,042,600
Interest expense on convertible bonds, net of tax	14,733	16,274
Net income attributable to ordinary shareholders of the Company (diluted)	$ 2,078,423	2,058,874
Weighted-average number of ordinary shares (in thousands) (basic)	358,251	343,275
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee stock remuneration	3,843	3,880
Effect of unvested restricted stock awards	4,079	2,337
Effect of conversion of convertible bonds	16,111	16,627
Weighted-average number of ordinary shares (in thousands) (diluted)	382,284	366,119
Diluted earnings per share (TWD)	$ 5.44	5.62
Diluted earnings per share－retrospectively adjusted (TWD)		$ 5.46

(Continued)

(17) Operating revenues

	For the years ended December 31,	
	2017	**2016**
Wireless communication products	$ 55,012,610	50,801,449
Others	1,877,184	1,978,048
	$ 56,889,794	52,779,497

(18) Remuneration to employees and directors

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

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

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

The remunerations to employees amounted to $273,901 and $276,122, and the remunerations to directors amounted to $19,564 and $19,723 for the years ended December 31, 2017 and 2016, 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 2017 and 2016.

(19) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2017	**2016**
Dividend income	$ 20,016	17,185
Interest income	22,952	15,532
Rental income (note 6(11))	7,457	8,208
Reversal of doubtful accounts recorded in other income	1,246	9,850
Others	155,541	79,859
	$ 207,212	130,634

B. Other gains and losses, net

	For the years ended December 31,	
	2017	2016
Foreign exchange losses, net	$ (64,469)	(141,545)
Gain on disposal of investment	1,001	2,571
Gain on disposal of property, plant and equipment	6,206	7,221
Gain on disposal of non-current assets held for sale	93,141	-
Impairment loss on financial assets	(28,305)	-
Net loss on financial assets and liabilities at fair value through profit or loss	-	(172)
	$ 7,574	(131,925)

C. Finance costs

	For the years ended December 31,	
	2017	2016
Interest expense – short-term borrowings	$ 58,433	28,233
Interest expense – bonds payable (note 6(10))	17,751	19,607
Interest expense – lease obligations payable	150	191
	$ 76,334	48,031

(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	2~5 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)

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2016					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 2,020,463	2,022,174	2,022,174	-	-
Unsecured variable-rate bank loans	338,930	339,054	339,054	-	-
Unsecured convertible bonds payable	1,380,491	1,418,800	-	-	1,418,800
	$ 3,739,884	3,780,028	2,361,228	-	1,418,800

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, 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

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

(Continued)

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables, short-term borrowings, notes and accounts payable (including related parties), and other accrued expenses that are denominated in foreign currency.

A fluctuation in the TWD/USD exchange rate on the reporting date, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2017 and 2016, as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2017**	**2016**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ (48,570)	(70,030)
	Appreciation of TWD 1 against the USD	$ 48,570	70,030

(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 losses on monetary items amounted to $64,469 and $141,545 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2017**	**2016**
Annual interest rate	Increase of 1%	$ (5,122)	(2,813)
	Decrease of 1%	$ 5,122	2,813

(Continued)

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at 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, 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

(Continued)

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

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

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

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

(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.

There is no transfer between the levels for the years ended December 31, 2017 and 2016.

(Continued)

(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 investment.

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, 2017 and 2016, the biggest customers were B and A, respectively. However, the Group does not concentrate its transactions with any single customer or counterparty or any clients within similar areas. Also, the Group had no concentration of credit risk arising from sales transactions. The Group evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

(Continued)

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

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. For related information about endorsement guarantee, please refer to note 13.

D. Liquidity risk

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

E. Market risk

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

(a) Interest rate risk

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

(b) Currency risk

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

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

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

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

(Continued)

(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, 2017.

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

	December 31,	
	2017	**2016**
Total liabilities	$ 15,710,703	16,603,272
Less: cash and cash equivalents	(3,714,831)	(4,259,482)
Net debt	**$ 11,995,872**	**12,343,790**
Total equity	**$ 14,221,639**	**13,168,640**
Debt-to-adjusted-capital ratio	**84.35%**	**93.74%**

As of December 31, 2017, the debt-to-adjusted-capital ratio had deceased due to the conversion of convertible bonds; and no restricted stock awards were issued in 2017, resulting in an increase in the Company's equity.

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with related parties 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

(Continued)

Name of related parties	Relationship with 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) Corp. (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
Wistron InfoComm Technology (America) Corporation (WITX)	The subsidiary of the entity with significant influence over the Group
AII Holding Corporation (AIIH)	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

	For the years ended December 31,	
Related Party Categories	**2017**	**2016**
Entity with significant influence over the Group	$ 1,836	1,998
Other related parties	281,138	361,292
Associate	-	37
	$ 282,974	363,327

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

(Continued)

B. Purchases

Related Party Categories	For the years ended December 31, 2017	2016
Entity with significant influence over the Group	$ -	3,725
Other related parties	1,001	520
Associate	295,389	420,216
	$ 296,390	**424,461**

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, 2017	2016
Entity with significant influence over the Group	$ 600	627
Other related parties	116,145	100,846
	$ 116,745	**101,473**

D. Accounts payable to related parties

Related Party Categories	December 31, 2017	2016
Other related parties	$ 703	-
Associate	36,769	62,231
	$ 37,472	**62,231**

E. Transactions of property, plant and equipment

(a) Acquisition of property, plant and equipment

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

Related Party Categories	For the years ended December 31, 2017	2016
Associate	**$ 11,829**	**15,444**

(Continued)

Related Party Categories	December 31, 2017	December 31, 2016
Associate	$ 1,174	2,951

(b) Disposal of property, plant and equipment

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

	For the years ended December 31,			
	2017		2016	
Related Party Categories	Disposal Proceeds	Gains on disposal	Disposal Proceeds	Gains on disposal
Associate	$ -	-	122	122

As of December 31, 2017 and 2016, the receivables resulting from the above transactions had been settled.

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, 2017	2016
Entity with significant influence over the Group	$ 2,853	7,074
Other related parties	2,170	809
Associate	1,210	865
	$ 6,233	8,748

Related Party Categories	December 31, 2017	2016
Entity with significant influence over the Group	$ 507	463
Other related parties	134	86
Associate	251	392
	$ 892	941

(Continued)

(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,			
	2017		2016	
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	$ 1,417	129	-	-
Other related parties	4,344	702	5,379	357
	$ 5,761	831	5,379	357

As of December 31, 2017, 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, 2017 and 2016, the Group had received the cash dividend and stock dividend from its related parties amounting to $21,898 and $21,481, respectively. As of December 31, 2017 and 2016, the receivables resulting from the above transactions had been settled.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31,	
	2017	2016
Short-term employee benefits	$ 140,624	151,792
Post-employment benefits	1,445	1,107
Share-based payment	54,925	46,898
	$ 196,994	199,797

Please refer to note 6(15) 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, 2017	December 31, 2016
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	-
		$ 22,500	20,000

9. Significant Commitments and Contingencies

Except for note 6(11), the Company entered into agreement with the Institute for Information Industry which provided a promissory note amounting to $52,500 as of December 31, 2017.

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, 2017			For the year ended December 31, 2016		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	2,794,189	2,785,923	5,580,112	2,787,760	2,464,416	5,252,176
Labor and health insurance	127,096	153,814	280,910	124,126	139,770	263,896
Pension	131,631	88,967	220,598	136,534	83,239	219,773
Others	144,594	91,571	236,165	141,028	99,451	240,479
Depreciation	863,180	302,227	1,165,407	980,259	299,272	1,279,531
Amortization	6,978	48,273	55,251	7,240	54,104	61,344

(Continued)

13. Segment Information

(1) General information

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

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

(2) Products and services information

Revenues of the Group from external customers:

	For the years ended December 31,	
	2017	**2016**
Wireless communication products	$ 55,012,610	50,801,449
Others	1,877,184	1,978,048
	$ 56,889,794	**52,779,497**

(3) Geographic information

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

	For the years ended December 31,	
	2017	**2016**
Revenues from external customers:		
Americas	$ 29,148,043	27,269,132
Asia	17,784,983	17,117,889
Europe	9,895,095	8,293,913
Others	61,673	98,563
	$ 56,889,794	**52,779,497**

	December 31,	
	2017	**2016**
Non-current assets		
Americas	$ 881	1,090
Europe	326	401
Asia	5,838,480	6,392,721
	$ 5,839,687	**6,394,212**

(Continued)

(4) Major customer information

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

	For the years ended December 31,			
	2017		2016	
	Amount	% of net sales	Amount	% of net sales
Customer A	$ 552,032	1	5,375,495	10
Customer B	5,863,059	10	4,959,619	9
	$ 6,415,091	**11**	**10,335,114**	**19**

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

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

Wistron NeWeb Corporation and its subsidiaries
Consolidated Balance Sheets
December 31, 2017 and 2016
(Expressed in thousands of USD)

	December 31, 2017			December 31, 2016	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents	$	124,458	12	142,706	14
Available-for-sale financial assets－current		88,195	9	63,375	6
Notes receivable		8,309	1	7,724	1
Accounts receivable, net		325,578	33	317,677	32
Accounts receivable from related parties		3,911	-	3,400	-
Inventories, net		224,616	22	206,738	21
Non-current assets held for sale		-	-	8,807	1
Other financial assets－current		2,883	-	3,684	-
Other current assets		7,632	1	7,026	1
Total current assets		785,582	78	761,137	76
Non-current assets:					
Financial assets carried at cost－non-current		3,781	-	4,223	-
Investments accounted for using equity method		4,062	1	4,460	1
Property, plant and equipment		188,297	19	206,565	21
Intangible assets		1,660	-	1,371	-
Deferred tax assets		13,503	1	13,150	1
Refundable deposits		250	-	255	-
Other non-current assets		5,691	1	6,290	1
Total non-current assets		217,244	22	236,314	24
Total assets	**$**	**1,002,826**	**100**	**997,451**	**100**

(Continued)

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

Wistron NeWeb Corporation and its subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in thousands of USD)

	December 31, 2017			December 31, 2016	
Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
Current liabilities:					
Short-term borrowings	$	90,066	9	79,047	8
Notes and accounts payable		258,901	26	279,026	28
Accounts payable to related parties		1,353	-	2,227	-
Salary and bonus payable		47,391	5	47,257	5
Other accrued expenses		29,413	3	33,920	3
Provisions－current		8,722	1	8,681	1
Other current liabilities		29,123	3	39,693	4
Total current liabilities		464,969	47	489,851	49
Non-Current liabilities:					
Bonds payable		39,320	4	46,251	5
Deferred tax liabilities		18,912	2	16,744	2
Net defined benefit liabilities－non-current		3,086	-	3,299	-
Other non-current liabilities		70	-	116	-
Total non-current liabilities		61,388	6	66,410	7
Total liabilities		526,357	53	556,261	56
Equity:					
Ordinary share capital		122,882	12	118,164	12
Advance receipts for share capital		-	-	141	-
Capital surplus		102,505	10	95,002	9
Retained earnings		261,853	26	240,018	24
Other equity interest		(10,771)	(1)	(12,135)	(1)
Total equity		476,469	47	441,190	44
Total liabilities and equity	**$**	**1,002,826**	**100**	**997,451**	**100**

(Continued)

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

Wistron NeWeb Corporation and its Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(Expressed in thousands of USD)

	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Net operating revenue	$ 1,905,983	100	1,768,276	100
Operating costs	1,650,522	86	1,523,180	86
Gross profit	255,461	14	245,096	14
Operating expenses:				
Selling	66,243	3	56,951	3
General and administrative	32,511	2	31,322	2
Research and development	70,895	4	67,129	4
Total operating expenses	169,649	9	155,402	9
Net operating income	85,812	5	89,694	5
Non-operating income and expenses:				
Other income	6,942	-	4,376	-
Other gains and losses, net	254	-	(4,420)	-
Finance costs	(2,557)	-	(1,609)	-
Share of profit (loss) of associates accounted for using equity method	(306)	-	63	-
Total non-operating income and expenses	4,333	-	(1,590)	-
Income before income tax	90,145	5	88,104	5
Income tax expenses	21,005	1	19,671	1
Net income	69,140	4	68,433	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans	20	-	(618)	-
Income tax relating to items that will be not reclassified subsequently	(3)	-	105	-
Total items that will not be reclassified subsequently to profit or loss	17	-	(513)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(4,243)	-	(15,430)	(1)
Unrealised gains (losses) on available-for-sale financial assets	(127)	-	3,141	-
Income tax relating to items that may be reclassified subsequently	721	-	2,623	-
Total items that may be reclassified subsequently to profit or loss	(3,649)	-	(9,666)	(1)
Other comprehensive income	(3,632)	-	(10,179)	(1)
Total comprehensive income	**$ 65,508**	**4**	**58,254**	**3**
Earnings per share (USD)				
Basic earnings per share	**$**	**0.19**		**0.19**
Diluted earnings per share	**$**	**0.18**		**0.18**

(Continued)

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

Wistron NeWeb Corporation and its Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in thousands of USD)

				Retained earnings				Other equity interest				
	Ordinary share capital	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2016	$ 112,342	-	79,397	46,744	3,622	166,627	216,993	8,138	40	(1,725)	6,453	415,185
Net income for the period	-	-	-	-	-	68,433	68,433	-	-	-	-	68,433
Other comprehensive income for the period	-	-	-	-	-	(513)	(513)	(12,807)	3,141	-	(9,666)	(10,179)
Total comprehensive income for the period	-	-	-	-	-	67,920	67,920	(12,807)	3,141	-	(9,666)	58,254
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	6,608	-	(6,608)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(41,555)	(41,555)	-	-	-	-	(41,555)
Stock dividends distributed to shareholder	3,369	-	-	-	-	(3,369)	(3,369)	-	-	-	-	-
Issuance of restricted stock awards	2,342	-	11,357	-	-	-	-	-	-	(13,699)	(13,699)	-
Compensation cost of issued restricted stock awards	-	-		-	-	29	29	-	-	4,777	4,777	4,822
Expiration of restricted stock awards	(81)	-		-	-	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	1,845	-	-	-	-	-	-	-	-	1,845
Conversion of convertible bonds	192	141	2,306	-	-	-	-	-	-	-	-	2,639
Balance as of December 31, 2016	118,164	141	95,002	53,352	3,622	183,044	240,018	(4,669)	3,181	(10,647)	(12,135)	441,190
Net income for the period	-	-	-	-	-	69,140	69,140	-	-	-	-	69,140
Other comprehensive income for the period	-	-	-	-	-	17	17	(3,522)	(127)	-	(3,649)	(3,632)
Total comprehensive income for the period	-	-	-	-	-	69,157	69,157	(3,522)	(127)	-	(3,649)	65,508
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	6,844	-	(6,844)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(43,773)	(43,773)	-	-	-	-	(43,773)
Stock dividends distributed to shareholder	3,549	-	-	-	-	(3,549)	(3,549)	-	-	-	-	-
Issuance of restricted stock awards	171	-	834	-	-	-	-	-	-	(1,005)	(1,005)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	6,018	6,018	6,018
Expiration of restricted stock awards	(84)	-		-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	1,082	(141)	6,585	-	-	-	-	-	-	-	-	7,526
Balance as of December 31, 2017	**$ 122,882**	**-**	**102,505**	**60,196**	**3,622**	**198,035**	**261,853**	**(8,191)**	**3,054**	**(5,634)**	**(10,771)**	**476,469**

(Continued)

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

Wistron NeWeb Corporation and its Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in thousands of USD)

	For the years ended December 31,	
Cash flows from operating activities:	**2017**	**2016**
Income before income tax	$ 90,145	88,104
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	39,045	42,868
Amortization	1,851	2,055
Provision for doubtful accounts, net	407	614
Net loss on financial assets and liabilities at fair value through profit or loss	-	6
Interest expense	2,557	1,609
Interest income	(768)	(520)
Dividend income	(670)	(576)
Compensation cost of issued restricted stock awards	6,018	4,822
Share of (profit) loss of associates accounted for using equity method	306	(63)
Gain on disposal of Property, plant and equipment	(208)	(242)
Gain on disposal of non-current assets held for sale	(3,120)	-
Gain on disposal of investment	(34)	(86)
Impairment loss on financial assets	949	-
Adjustment for other non-cash-related losses, net	125	644
Provision for inventory devaluation loss	1,035	4,389
Provision for allowance for sales discount	6,788	3,616
Total adjustments to reconcile profit (loss)	54,281	59,136
Changes in operating assets and liabilities:		
Notes receivable	(585)	3,088
Accounts receivable	(15,096)	(11,302)
Accounts receivable from related parties	(511)	1,251
Inventories	(18,913)	9,608
Other operating assets	228	(242)
Notes and accounts payable	(20,125)	(28,545)
Accounts payable to related parties	(874)	(1,575)
Other operating liabilities	(10,232)	15,051
Total changes in operating assets and liabilities	(66,108)	(12,666)
Total adjustments	(11,827)	46,470
Cash flows generated from operations	78,318	134,574
Interest received	771	487
Dividend received	670	576
Interest paid	(1,862)	(936)
Income tax paid	(20,878)	(19,437)
Net cash flows generated from operating activities	57,019	115,264
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(51,451)	(121,452)
Proceeds from disposal of available-for-sale financial assets	26,538	86,087
Acquisition of financial assets carried at cost－non-current	(507)	(527)
Proceeds from disposal of non-current assets held for sale	9,542	-
Acquisition of property, plant and equipment	(22,406)	(56,557)
Proceeds from disposal of property, plant and equipment	210	635
Decrease in refundable deposits	5	45
Acquisition of intangible assets	(2,141)	(1,525)
Increase in other financial assets	(84)	(670)
Capital received from an associate	-	252
Net cash flows used in investing activities	(40,294)	(93,712)
Cash flows from financing activities:		
Increase in short-term borrowings	11,019	9,767
Issuance of convertible bonds	-	50,077
Cash dividends paid	(43,773)	(41,555)
Net cash flows generated from (used in) financing activities	(32,754)	18,289
Effect of exchange rate changes	(2,219)	(4,973)
Net increase (decrease) in cash and cash equivalents	(18,248)	34,868
Cash and cash equivalents at beginning of period	142,706	107,838
Cash and cash equivalents at end of period	$ 124,458	142,706

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

7.1 Financial Analysis (Consolidated)

7.1.1 Financial Analysis

Unit: Thousand NT$

Item	2017	2016	Increase/decrease amount	Change percentage (%)
Current assets	23,448,048	22,718,403	729,645	3.21
Property, plant, and equipment	5,620,272	6,165,546	(545,274)	(8.84)
Intangible assets	49,557	40,914	8,643	21.12
Other assets	814,465	847,049	(32,584)	(3.85)
Total assets	29,932,342	29,771,912	160,430	0.54
Current liabilities	13,878,386	14,621,080	(742,694)	(5.08)
Non-current liabilities	1,832,317	1,982,192	(149,875)	(7.56)
Total liabilities	15,710,703	16,603,272	(892,569)	(5.38)
Capital stock	3,667,772	3,531,173	136,599	3.87
Capital surplus	3,059,564	2,835,611	223,953	7.90
Retained earnings	7,815,783	7,164,068	651,715	9.10
Other equity	(321,480)	(362,212)	40,732	(11.25)
Total equity	14,221,639	13,168,640	1,052,999	8.00
Analysis of items whose increased or decreased amounts are above 20%: “Intangible assets” increased mainly due to the purchase of computer programs.				

7.2 Financial Performance Analysis (Consolidated)

7.2.1 Financial Performance Analysis

Unit: Thousand NT$

Item	2017	2016	Increased/ decreased amount	Change percentage (%)
Net operating revenues	56,889,794	52,779,497	4,110,297	7.79
Operating costs	49,264,798	45,463,866	3,800,932	8.36
Gross profit	7,624,996	7,315,631	309,365	4.23
Operating expenses	5,063,686	4,638,442	425,244	9.17
Net operating income	2,561,310	2,677,189	(115,879)	(4.33)
Total non-operating income and expenses	129,324	(47,446)	176,770	-
Income before income tax	2,690,634	2,629,743	60,891	2.32
Income tax	626,944	587,143	39,801	6.78
Net income	2,063,690	2,042,600	21,090	1.03
Analysis of items whose increased or decreased amounts are above 20%: “Total non-operating income and expenses” mainly due to the decrease of net exchange losses, and acknowledgement of gains from the disposition of the Lihsin Office.				

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
4,259,482	1,701,908	(2,180,307)	(66,252)	3,714,831	-	-

1. Cash flow analysis:

   The positive net cash flows generated from operating activities of 1,702 (million NT$) was mainly due to operating profit.

   The negative net cash flows used in investing activities of 1,203 (million NT$) was mainly due to capital expenditures and purchase of financial instruments.

   The negative net cash flows used in financing activities of 978 (million NT$) was mainly due to the cash dividends payment.

2. Remedial Actions for Liquidity Shortfall: None

7.3.2 Cash Flows Projection for the Next Year:

Cash at beginning	Net cash flows generated from operating activities (Est.)	Cash flows generated or used (Est.)	Cash at end (Est.)	Contingency plans for insufficient cash position	
				Investing activities	Financing activities
3,714,831	2,883,564	325,755	4,040,586	-	-

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 completion date	Total costs	Anticipated use of capital	
				2018	2019
Construction of new factory	Cash flow generated from operations	3Q 2019	295,500	147,750	147,750

7.4.2 Effects of Significant Capital Expenditures on Financial Operations

The significant capital expenditures above are in line with WNC's mandate to grow its business by expanding production capacity.

7.5 Policy for Investment

WNC's policy for investment is to target long-term strategic investment. In 2017, the investment loss recognized under the equity method was 9,128 (thousand NT$). 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 does interest rate, exchange rate, or inflation influence WNC's profits and losses, and how can it manage such risks?

Unit: Thousand NT$

Item	2017
Interest income	22,952
Interest expense	76,334
Exchange gain/(loss)	(64,469)

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

Approximately 94.14% 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). The other small amounts of foreign currencies can be exchanged to NT dollars depending on capital needs or market situations.

There was no major inflation influence 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.

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

1. Future research and development plans

   (1) Microwave communications product series

      A. Lightweight high-frequency satellite two-way communications receivers

      B. Next-generation mmWave mobile broadband home gateways

(2) Mobile and home communications product series
   A. Next-generation mobile communications routers
   B. IEEE 11ax Wi-Fi routers
   C. xPON gateways
   D. Coaxial cable (MoCA) broadband communications gateways
   E. Automotive AI image sensors
   F. V2X communications modules
   G. RFID biometric tracking and positioning labels
   H. Voice assistant integrated devices
   I. Wireless transmission modules for VR

2. Investment
   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 technology and take 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 2018.

7.6.4 The impact of legal and regulatory changes on WNC's financial performance:

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

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

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

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

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 impact of management changes on company operations is reduced significantly.

7.6.12 Where (1) WNC and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or companies controlled by WNC are involved in litigious and non-litigious matters that have been concluded by means of a final and unappealable judgment or are still under litigation and (2) where such a dispute could materially affect shareholders' equity or the price of WNC's stock, the facts of the dispute, amount of money at stake in the dispute, the date of the litigation's commencement, the main parties in the dispute, and the status of the dispute as of the date of printing of this annual report: None.

7.6.13 Other risks: None

7.7 Other Important Matters

None

Wistron NeWeb Corp.