Stock Code: 6285

Wistron NeWeb Corporation

2015 Annual Report (Translation)

DISCLAIMER

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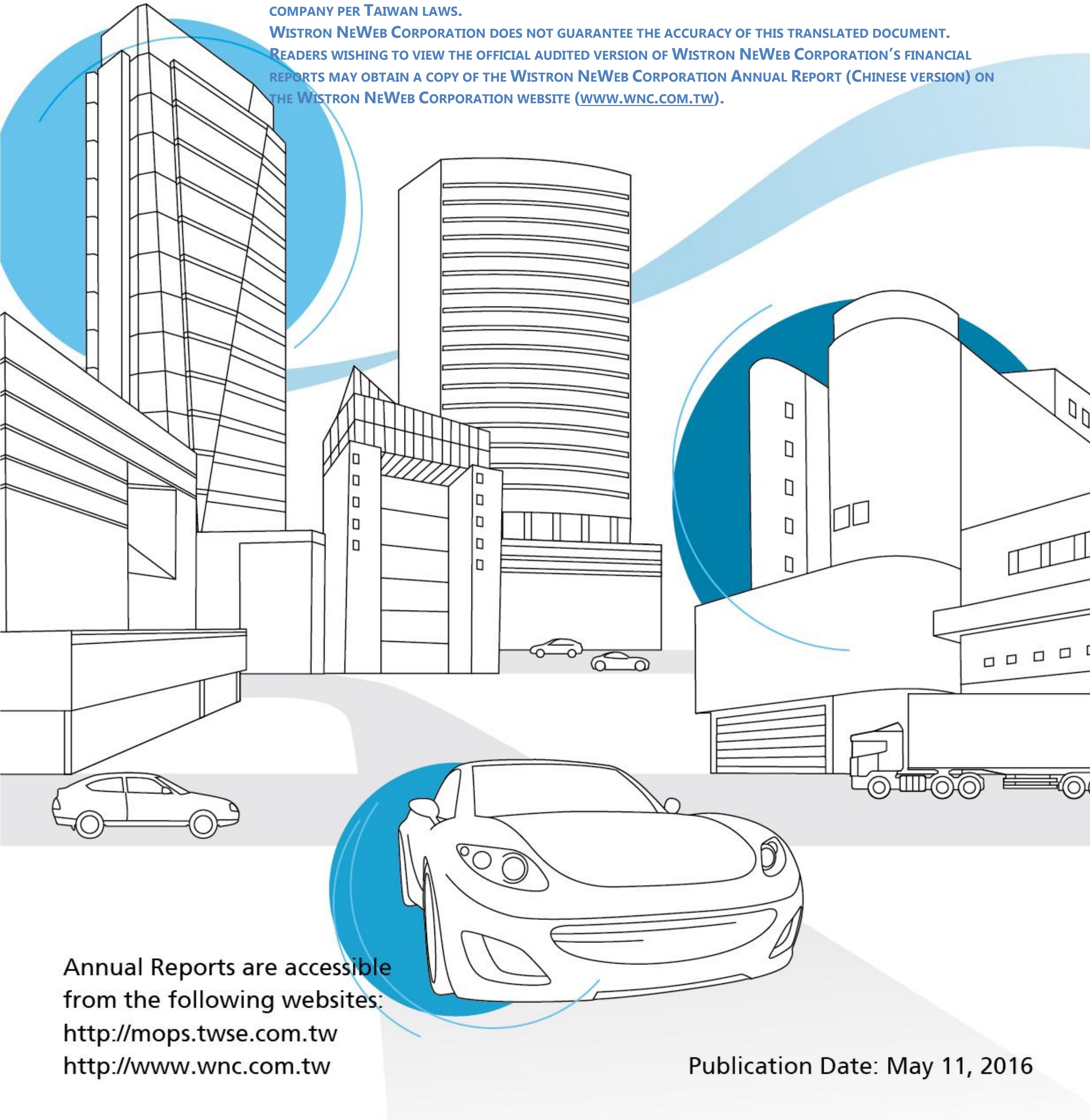

Annual Reports are accessible from the following websites:
http://mops.twse.com.tw
http://www.wnc.com.tw

Publication Date: May 11, 2016

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

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

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

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

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

Address:	No. 158, Singshan Rd., Neihu Dist., Taipei, 11469, Taiwan		
Tel.:	+886-2-6600-7998	Website:	www.wnc.com.tw

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

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

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

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

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1. Letter to Shareholders

Dear Shareholders,

Looking back on the past year, developments and applications in the area of the Internet of Things, Internet of Vehicles, Industry 4.0, and the Smart Home were in the limelight of the communications industry across the globe. These developments are generally in line with WNC's technology roadmaps and development plans over the past; as a result, we have been able to sustain respectable growth momentum over the past years. Looking into the future, we are confident that favorable factors such as market demand and customer trust will help us generate sustainable and stable profits and growth.

Financial and Operational Results

In 2015, WNC's consolidated revenue was NT$52.18 billion with an annual growth rate of 29%. Consolidated gross profit was NT$6.93 billion, and consolidated profit after tax was NT$1.97 billion. Basic earnings per share were NT$5.97.

Research and Development Status

The age of the IoE (Internet of Everything) has accelerated the evolution of communications technologies and increased the needs for cross-industry and cross-technology integration, as well as the integration of software and hardware. It has also, however, deepened the difficulty of integration between different systems. WNC's products and applications encompass various short-distance, mid-distance, and long-distance communications products. With our expertise in antenna and RF design, software and hardware development, user interface design, and extensive experience in integration across different product lines, we expect to integrate IoT solutions in the new age and continue to launch communications products that fulfill market demand and lead industry trends.

In 2015, WNC won the CES Innovation Award with its "24GHz Radar System" and "RFID Smart Shelf System"; concurrently, we were also honored with the "Hsinchu Science Park R&D Accomplishment Award". This is the sixth time WNC has won this prestigious award, showing that our research efforts have been recognized both at home and abroad. Furthermore, as of the end of 2015, WNC has over 1,800 approved patents and patents pending.

Operation and Management

In response to a need for business development and capacity expansion, the second plant of the Wistron NeWeb (Kunshan) Corporation was completed during the third quarter of 2015 and became operational in the fourth quarter. Also in the fourth quarter, we purchased the S1 property, a new plant on Lihsin Rd. VI, Hsinchu Science Park, to serve as WNC's main production site in Taiwan. S1 is projected to commence operation in the second quarter of 2016 to meet capacity requirements in the future.

In recent years, world economies have experienced slow growth, and markets still appear to be fickle and ever-changing. This has led to challenges such as rapidly changing business environments and product life cycles and constantly fluctuating exchange rates of the world's major currencies. In order to remain highly competitive in such an environment and secure a place in the ever-changing ICT market, we have optimized our existing value chain and developed new products and technologies through a holistic perspective that is more in-tune with international developments. We have implemented ongoing internal improvement projects to enhance our problem-solving capabilities and flexibilities and have also improved our responsiveness to the diverse and pressing demands of customers and from the markets.

In 2015, we participated in the first Corporate Governance Evaluation organized by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEx), and we were rated among the top 20% of all publicly traded companies. We were also included as a component of the "TWSE Corporate Governance 100 Index" and the "Taiwan Top Salary 100 Index" by the TWSE, and we ranked among the top 50 enterprises in the "Large Enterprises" group for the 2015 Excellence in CSR by the *CommonWealth Magazine* Group. These recognitions demonstrate WNC's efforts in implementing our social responsibilities as a responsible corporate citizen and that our efforts have been appreciated by our stakeholders. We expect that through the corporate social responsibility report we publish each year in June, our stakeholders can be fully informed of our endeavors, achievements, and goals.

Future Outlook

Looking towards 2016, changes and uncertainties still prevail in the business environment where WNC operates. In response to this, WNC will continue to strengthen our core capabilities and actively develop forward-looking technologies and products based on the four themes of "Smart Home", "Mobile Communications", "Telematics", and "Internet of Things". We will also strive to optimize our organizational capabilities and competitiveness to provide our customers with products and services that are more flexible and of higher quality.

As we face a highly competitive business environment and more diverse customer needs, we will adhere to "Fundamentals Advocacy", one of our core values. We will remain cautiously optimistic as we continue to drive WNC's growth and earn the highest profits for our shareholders by maintaining stable, positive corporate operating growth.

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

Thank you!

Haydn Hsieh

Chairman of Wistron NeWeb Corporation

2. Company Introduction

2.1 Date of Establishment

December 7, 1996

2.2 Milestones

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

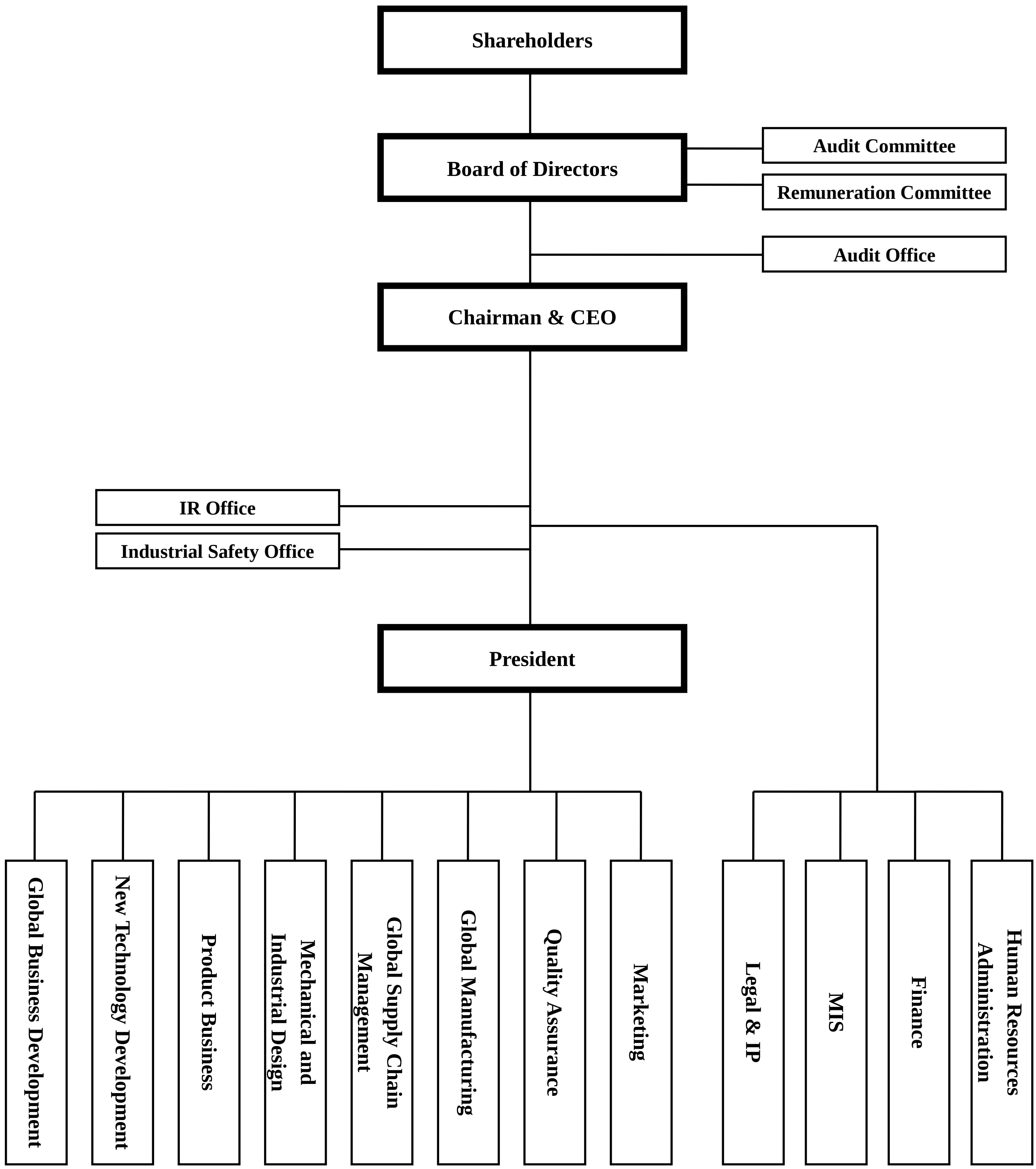
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008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

Nov.	2013	Ranked first in the CommonWealth magazine "Most Admired Company" 2013 survey among telecommunication enterprises in Taiwan.
Dec.	2013	Honored with the 2013 Hsinchu Science Park R&D Accomplishment Award (24GHz Automotive BSD Radar) and the Innovative Product Award.
March	2014	Obtained TL 9000 (quality management system for the telecommunications industry) certification.
June	2014	Mr. Haydn Hsieh was elected by the BOD as the Chairman.
July	2014	Established WNC UK Limited in the UK.
Oct.	2014	Obtained ISO/IEC 27001 (information security management system) certification.
Nov.	2014	Awarded the Taiwan Corporate Sustainability Report Award (Bronze Award) from the Taiwan Institute for Sustainable Energy.
Dec.	2014	High Sensitivity RFID Antenna and Reader System received the Hsinchu Science Park Innovative Product Award.
Jan.	2015	Established WNC Japan Inc. in Japan.
March	2015	Obtained ISO/IEC 17025 (general requirements for the competence of testing and calibration laboratories) certification.
April	2015	Obtained FSC® (Forest Stewardship Council®) Chain-of-Custody certification.
June	2015	Selected as a component of the Taiwan Corporate Governance 100 Index and the Taiwan High Salary 100 Index by the Taiwan Stock Exchange Corporation (TWSE).
Aug.	2015	Honored with the Excellence in Corporate Social Responsibility top 50 by CommonWealth Magazine in the Large Enterprises group.
Nov.	2015	Awarded the Taiwan Corporate Sustainability Report Award (Silver Award) from the Taiwan Institute for Sustainable Energy.
Dec.	2015	Obtained the CNS 15506: 2011 TOSHMS (Taiwan Occupational Safety & Health Management System) certification.
Dec.	2015	Awarded the Hsinchu Science Park R&D Accomplishment Awards.
Jan.	2016	Established the S1 site on Lihsin Rd. VI in Hsinchu, Taiwan.
Jan.	2016	24GHz Radar System received the 2016 CES Innovation Awards.
Jan.	2016	Smart Shelf System received the 2016 CES Innovation Awards.
April	2016	S1 site (on Lihsin Rd. VI of the Hsinchu Science Park) obtained its factory registration certificate.

3. Operational Highlights

3.1 Organization Structure

3.1.1 Organizational Chart



3.1.2 Departmental Functions

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

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

3.2.1 Information on the Board of Directors (April 18, 2016)

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Chairman & CEO	R.O.C.	Haydn Hsieh	06/06/2014	3	5,226,652	1.62%	5,662,126	1.69%	275,750	0.08%	Bachelor’s	Director of aEnrich Technology Corp. Director of Wistron Director of AOPEN Director of Apacer Independent Director of Raydium Chairman & CEO of Wistron NeWeb	N/A	N/A	N/A
Director	R.O.C.	Wistron Corp.	06/06/2014	3	79,780,682	24.79%	83,004,015	24.76%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Frank F.C. Lin	06/06/2014	3	193,762	0.06%	201,589	0.06%	151,236	0.05%	Bachelor’s	Director of AOPEN Director of Wistron ITS Chairman of ArFlex Chairman of WLB Director of Wiwynn Director of Changing Director of Maya International Director of IP Fund Six Co., Ltd. Director of Join-Link International Technology Director of Wistron Medical Tech Holding Company Director of Wistron Digital Technology Holding Company Supervisor of Formosoft Supervisor of aEnrich Technology Corp. Chairman of WiseCap (Hong Kong) Limited Director of Hartec Asia Pte. Ltd. Director of Super Elite Ltd. Director of Hukui Biotechnology Corporation	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Director	R.O.C.	Wistron Corp.	06/06/2014	3	79,780,682	24.79%	83,004,015	24.76%	0	0%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Henry Lin	06/06/2014	3	0	0%	0	0	0	0%	Master's	Director of Browave Independent Director of RDC Semiconductor Independent Director of AVer Information Inc. The representative of AOPEN as a member of the board of directors Independent Director of TSRC Corporation	N/A	N/A	N/A
Director; President & COO	R.O.C.	Jeffrey Gau	06/06/2014	3	1,956,706	0.61%	2,257,206	0.67%	415,655	0.12%	Ph.D.	President & COO of Wistron NeWeb	N/A	N/A	N/A
Director	R.O.C.	Max Wu	06/06/2014	3	0	0%	0	0%	0	0%	Bachelor's	Chairman of Birch Venture Capital Chairman of the NCTU Spring Foundation Chairman of e-Ray Optoelectronics Technology Director of Novatek Director of YODN Lighting Corp. Independent Director of Apacer Supervisor of Antec	N/A	N/A	N/A
Director	R.O.C.	Philip Peng	06/06/2014	3	114,619	0.04%	119,249	0.04%	0	0%	Master's	Independent Director of AU Optronics The representative of Acer as a member of board of directors Director of AOPEN Director of Wistron ITS Director & President of iD SoftCapital Chairman of Smart Capital Corp. The representative of ID Reengineering Fund Inc. as a member of board of directors The representative of Dragon Investment Fund I Co. as a member of board of directors The representative of iD Innovation as a Supervisor on board of directors Director of iD Branding Management Inc. (and others)	N/A	N/A	N/A

Title	Nationality or Location of Registry	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
					Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Independent Director	R.O.C.	S.T. Peng	06/06/2014	3	0	0%	0	0%	0	0%	Ph.D.	Professor Emeritus of the Department of Communications Engineering at Yuan Ze University (YZU) Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation Supervisor of the NCTU Spring Foundation Supervisor of the Intelligent Transportation Society of Taiwan Executive supervisor of the Taiwan Telematics Industry Association	N/A	N/A	N/A
Independent Director	R.O.C.	Robert Hung	06/06/2014	3	0	0%	0	0%	0	0%	Master’s	Independent Director of TSRC Corporation	N/A	N/A	N/A
Independent Director	R.O.C.	Neng-Pai Lin (Note 1)	06/10/2015	2	0	0%	-	-	-	-	Ph.D.	Adjunct Professor at National Taiwan University (NTU) Independent Director of Taishin Financial Holding Co., Ltd. Independent Director of Taishin International Bank Co., Ltd. Independent Director of Darfon Electronics Corp. Director of Teco Image Systems	N/A	N/A	N/A

Note 1: Mr. Neng-Pai Lin was named Independent Director on June 10, 2015.

3.2.2 Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders (April 17, 2016)

Name	Major Shareholders	Percentage (%)
Wistron Corporation	GMO Emerging Markets Fund	2.23
	Acer Incorporated	1.97
	Management Board of Public Service Pension Fund	1.87
	Bank SinoPac Trust Account	1.56
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.55
	Kuo, Su-Mei	1.24
	Lin, Jen-Mei	1.24
	Cathay Life Insurance Co., Ltd.	1.21
	Huang, Mei-Fen	1.20
	Lin, Hsien-Ming	1.19

3.2.3 Major Shareholders of the Institutional Shareholders Listed in Section 3.2.2 (April 26, 2016)

Name	Major Shareholders	Percentage (%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co,Ltd	100
Acer Incorporated	Stan Shih	2.63
	Hung Rouan Investment Corp.	2.39
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.53
	Management Board of Public Service Pension Fund	1.20
	Acer GDR	1.11
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.97
	Carolyn Yeh	0.61
	The Master Trust Bank of Japan, Ltd. as trustee for Government Pension Investment Fund - internal - MTBJ400045833	0.56
	Government of Singapore	0.48
	MSCI Equity Index Fund B - Taiwan	0.48

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

April 18, 2016

Title	Nationality	Name	Date Assumed Office	Shares Held		Shares Held by their Spouses and/or Minor Children		Shares Held in Another's Name		Education	Selected Current Positions in Other Companies	Spouse or Relative Holding a Position as Key Manager		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Chairman & CEO	R.O.C.	Haydn Hsieh	06/14/2000	5,662,126	1.69%	275,750	0.08%	0	0	Bachelor's	Director of aEnrich Technology Corp. Director of Wistron Director of AOPEN Director of Apacer Independent Director of Raydium	N/A	N/A	N/A
Director; President & COO	R.O.C.	Jeffrey Gau	01/01/2008	2,257,206	0.67%	415,655	0.12%	0	0	Ph.D.	N/A	N/A	N/A	N/A
Senior Vice President & General Manager of Business Group	R.O.C.	Larry Lee	08/16/2005	521,073	0.16%	53,542	0.02%	0	0	Master's	N/A	N/A	N/A	N/A
Senior Vice President	R.O.C.	Fayu Chen	04/07/2008	209,730	0.06%	325,911	0.10%	0	0	Ph.D.	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Johnson Hsu	02/05/2010	341,029	0.10%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Jack Liu	03/18/2015	53,095	0.02%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Bird Huang	02/05/2010	209,630	0.06%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Ray Lee	02/01/2006	359,648	0.11%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
General Plant Manager	R.O.C.	Andrew Wong	12/01/2009	178,082	0.05%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Financial Officer	R.O.C.	Jona Song	01/01/2002	524,929	0.16%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Logistics Officer	R.O.C.	Jasmine Huang	08/16/2005	510,673	0.15%	0	0	0	0	Bachelor's	N/A	N/A	N/A	N/A
Chief Technology Officer	R.O.C.	Horen Chen	11/05/2013	851,278	0.25%	0	0	0	0	Ph.D.	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	TJ Chen	02/05/2010	186,427	0.06%	549	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Apollo Shyong	04/05/2012	231,989	0.07%	0	0	0	0	Master's	N/A	N/A	N/A	N/A

Title	Nationality	Name	Date Assumed Office	Shares Held		Shares Held by their Spouses and/or Minor Children		Shares Held in Another's Name		Education	Selected Current Positions in Other Companies	Spouse or Relative Holding a Position as Key Manager		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Associate Vice President	R.O.C.	Michael SY Chen	04/05/2012	80,972	0.02%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Dennis Kung	11/05/2013	35,000	0.01%	0	0	0	0	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	Chris Hwang (Note 1)	02/05/2010	-	-	-	-	-	-	Master's	N/A	N/A	N/A	N/A
Associate Vice President	R.O.C.	David Tsai (Note 2)	09/10/2012	-	-	-	-	-	-	Master's	N/A	N/A	N/A	N/A

Note 1: Mr. Chris Hwang served as Associate Vice President until July 29, 2015.
Note 2: Mr. David Tsai served as Associate Vice President until Jan. 1, 2016.

3.3 Corporate Governance

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

Evaluation Item	Implementation Status			Discrepancies/ Reasons
	Yes	No	Description	
A. Does your company establish and disclose your 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
B. Ownership structure and shareholders’ equity a. Does your company establish an internal process for handling shareholders’ proposals, questions, disputes, and lawsuits? b. Does your company maintain information on the identities of major shareholders and their ultimate controlling persons? c. Does your company establish and implement a risk control mechanism and firewalls with affiliates? d. Does your company establish internal regulations to prevent insider trading?	 ✓ ✓ ✓ ✓		a. WNC has designated the Shareholders Service Office to handle shareholders’ proposals and disputes. b. WNC maintains information on the identities of major shareholders and their ultimate controlling persons. The shareholders’ list is available and is disclosed regularly according to government regulations. c. WNC has established the appropriate risk control mechanisms and firewalls according to regulations and internal rules, such as rules for supervision over subsidiaries, Procedures Governing Endorsements and Guarantees, Procedures Governing Loaning of Funds, and Procedures for Acquisition or Disposal of Assets. d. WNC has established procedures to control the disclosure of material information and to prevent insider trading.	None
C. Composition and duties of Board of Directors a. Does the Board of Directors establish and implement plans to diversify the composition of its members? b. Does the company spontaneously set up functional committees other	 ✓ ✓		a. Members of WNC’s Board of Directors are elected based on regulations and laws. We will study and propose related measures based on actual requirements. b. If there is a need, WNC will set up functional committees other than the remuneration committee and audit committee.	None

Evaluation Item	Implementation Status			Discrepancies/ Reasons
	Yes	No	Description	
than the remuneration committee and audit committee required by law? c. Does the company establish performance evaluation measures/methods for the Board of Directors and conduct regular, annual evaluations? d. Does the company conduct regular evaluation of the independence of the CPA?	 ✓ ✓		 c. There are currently no such measures. WNC will study and propose related measures based on actual requirements. d. The Audit Committee and the Board of Directors shall annually evaluate the independence, competence, and expertise of the CPA and request the CPA submit a statement of their independence every year to ensure that they are not involved in other financial interests or business relationships except for matters relating to the attestation fees and the finance/taxation audit service fees paid by WNC. The CPA shall only be recruited and be involved in the audits after being confirmed of their corporate family members' compliance with the related independence requests.	
D. Does the company establish communication channels with stakeholders?	✓		WNC has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders. For more details please refer to the stakeholder communication section of WNC's CSR report and the CSR page of WNC's website.	None
E. 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
F. Disclosure of information a. Does the company utilize a website to disclose finance, operational, and corporate information? b. Are there other means of disclosing information?	 ✓ ✓		 a. WNC has set up a website with information on finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations. b. WNC has one chief spokesman and one acting spokesman and has also designated a team responsible for gathering and disclosing information.	None
G. Are there other important discourses that help	✓		(1) The recruitment policies of WNC conform to government regulations. All employees have	None

Evaluation Item	Implementation Status			Discrepancies/ Reasons
	Yes	No	Description	
shareholders to understand the enforcement of corporate governance of the company?			equal rights and development opportunities in WNC. (2) WNC signs purchasing contracts with suppliers to protect mutual rights. (3) WNC establishes internal management systems based on laws and regulations to conduct risk management. Internal audit personnel also conduct regular audits for WNC's risk management. (4) WNC maintains stable and close relationships with customers to obtain stable and reasonable profits. (5) WNC has purchased liability insurance for Directors and other key employees. (6) For more details, please refer to WNC's CSR report.	
H. Has the company implemented a corporate governance self-assessment, or it has authorized any other professional organization to conduct such an assessment? (If yes, please describe the opinions of the BOD, evaluation results, major deficiencies or suggestions, and improvements.)	✓		WNC has conducted a corporate governance self-assessment for year 2015 based on the regulations of the Taiwan Stock Exchange and published the assessment results in April 2016. The results indicate that WNC's performance ranked within the first 20% of all companies.	None

3.3.2 Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
1. Exercise of Corporate Governance (1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?	✓		(1) WNS has established the WNC Corporate Social Responsibility policies to demonstrate our resolve in implementing CSR's economic, environmental, and social aspects. In order to conduct effective management and promotion for measures related to corporate governance, ethical corporate management, and corporate social responsibilities, WNC has followed the recommendations of the TWSE and established, amended, and secured approval from the Board of Directors for the "Corporate Social Responsibility Best-Practice Principles", the "Corporate Governance Best-Practice Principles", the "Ethical Corporate Management Best-Practice Principles", and the "Code of Ethical Conduct". Function units of different job responsibilities shall cooperate to implement related measures based on company policies and review the performance every 6 months. Each function unit shall also watch closely for the changes of international initiatives and regulations to examine, in a timely manner, whether related management methods and operations procedures must be modified.	None
(2) Does the company regularly conduct training related to social responsibility?	✓		(2) In addition to administering CSR/EICC online training courses during new-employees' and managers' training courses to promote CSR/EICC awareness and policies, WNC also conducts related online or live courses based on the requirements of laws, regulations, customers, and policy implementation. In 2015, WNC issued the "WNC CSR Handbook" to strengthen employees' understanding of CSR and EICC regulations.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
(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?	✓		(3) The WNC EICC Management Committee is established both at the WNC Headquarters in Taiwan and at our China sites. The committee directs WNC's CSR and EICC implementation efforts. The Chairman & CEO serves as the highest-level manager to report issues to. Major issues shall be submitted to the Board of Directors for authorization and approval. The WNC EICC Management Committee consists of the Environmental Group, Health and Safety Group, Labor Group, Ethics Group, and Management System Group. Each functional unit shall assign representatives to serve as the officers for each group, and the officers shall convene management review meetings every year to discuss corporate social responsibility and the EICC-related issues or convene interim meetings to discuss specific issues according to customer needs. With regard to issues related to each group, relevant functional units including the Global Supply Chain Management Division, Quality Assurance Division, Finance Division, Human Resources Administration Division, Management Information System Division, Marketing Division, and Legal & IP Center are responsible for the items' discussion and resolution, as well as the execution and review of the resolution items. WNC's Marketing Division is in charge of coordinating the publication of the annual CSR report. The responsibilities of the Board of Directors include examining the economic, environmental, and social aspects of WNC's performance and approving the CSR-related issues reported by the EICC Management Committee or related functional units. High-level managers	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			shall report to the Board of Directors on the operations status and other important aspects of WNC to ensure good interaction and communication can be maintained.	
(4) Does the company specify reasonable remuneration policies and associate the employee performance appraisal system to the CSR policies and establish a clear and effective reward and discipline system?	✓		(4) WNC regularly adjusts employee salaries according to current price levels, market supply/demand status, average salary levels in the industry, and local laws/regulations, providing employees with various bonuses and reward systems to ensure reasonable compensation for colleagues as well as to retain and attract talented employees. WNC has implemented its internal regulations in accordance with applicable national laws. Policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, avoidance of conflicts of interest, information security, and public-welfare assistance are all included in the field of corporate compliance. WNC conveys these policies to new employees in their training and to the existing employees, managers, and the Board of Directors. Moreover, all WNC subsidiaries and affiliates are required to follow the same corporate-compliance guidelines. Any violations of the guidelines will directly affect the employee’s performance appraisal, and he or she will be punished according to related punishment measures. For details, please refer to section 4.3 Overall Remuneration of WNC’s 2015 CSR Report.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
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?	✓		(1) WNC cooperates with its suppliers to achieve international environmental standards and provide its customers with green products that are energy-efficient, toxin-free or of low toxicity, produce low amounts of emissions, and have design and production services aimed at recyclability and renewability as well as having less impact on the environment. With product LCA (life cycle assessment) principles at the forefront, WNC identifies eco-design parameters such as hazardous-substance restrictions, energy efficiency, recycling and reuse, and environmental-information disclosure. Meanwhile, WNC raises supplier-side requirements to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC.	None
(2) Does the company establish appropriate environmental-management systems based on the characteristics of different industries?	✓		(2) WNC devotes close attention to environmental protection and its accompanying trends. In addition to complying with all local environmental-protection laws and regulations, WNC also proactively fulfills customer needs to jointly implement environmental-management systems and green-product management systems with its suppliers. The WNC Taiwan headquarters and all its China sites have all obtained ISO 14001 certification and regularly conduct internal audits and third-party examinations every year to ensure all ISO 14001 standards and environmental regulations are properly followed.	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
(3) Does the company monitor the impact of climate change on its operations, conduct a greenhouse-gas inventory, and establish strategies for energy conservation and carbon and greenhouse-gas reduction?	✓		(3) In addition to improving the energy-usage efficiency of products through enhanced product design, R&D, and manufacturing processes, WNC continues to implement energy-saving and carbon-reducing concepts and activities in its work environment. The greenhouse-gas inventory and certification are also undertaken according to the specified plans and phases. For details, please refer to section 2.3 Risk Management, section 6.3 Energy Management, and section 6.4 Carbon Emissions Management of WNC's 2015 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?	✓ ✓		(1) WNC complies with relevant labor laws and regulations, values the international principles respecting basic labor rights, voluntarily follows the spirit of the Electronic Industry Citizenship Coalition's (EICC) Code of Conduct, and plans to expand the EICC's Code of Conduct requirements in its supply chain as a whole. WNC organized a WNC EICC Management Committee in July of 2012 and adopted its own WNC EICC Code of Conduct. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers. For details, please refer to section 4.1 Respect Human Rights of WNC's 2015 CSR Report. (2) WNC has established diverse, open, and transparent communication channels and continues to seek for ways to enhance mutual and real-time communication with employees. A public e-mail has been set up for internal or external personnel to anonymously report any	None

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			actions that violate company integrity (wnc.integrity@wnc.com.tw). For details, please refer to section 2.2.4 Grievance Mechanisms of WNC's 2015 CSR Report.	
(3) Does the company provide a safe and healthy work environment for its employees and organize safety and health training on a regular basis?	✓		(3) WNC has worked proactively to establish a safe and healthy work environment. WNC Taiwan and its subsidiaries in China have obtained OHSAS 18001: 2007 certification. Besides specifying management regulations regarding labor safety and health, WNC also proactively conducts related risk assessments and controls and manages changes to control their impact on safety and health. Internal and external audits are regularly conducted every year for verifying the operating status of the occupational safety and health management system and to ensure it is continuously improving. For details, please refer to section 4.5.1 Occupational Health and Safety Management of WNC's 2015 CSR Report.	
(4) Has the company established a regular communication mechanism and does it use reasonable methods to inform employees of critical operational changes?	✓		(4) WNC 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. In addition to regular communication channels, WNC also conducts an employee satisfaction survey and seminars on a random basis to further ensure a smooth relationship between the management and employees. In response to the different culture in China, each WNC China site has provided suggestion boxes in the production line area, office area, and dormitory as the main communication channel. In addition, dedicated hotlines and e-mail	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			boxes are also established for employees' consultation and assistance. For details, please refer to section 4.1.3 Communication Mechanisms of WNC's 2015 CSR Report.	
(5) Does the company establish effective career-development training plans for employees?	✓		(5) WNC values the importance of recruiting fully qualified employees and devotes special attention to improving the skills and general knowledge of colleagues. Based on this concept and the central principle of growth, innovation, and cooperation, employees are provided with job-function enhancement training programs, key competencies enhancement programs, and supervisory and leadership training. For details, please refer to section 4.4 Training and Development of WNC's 2015 CSR Report.	
(6) Does the company specify related consumer-rights-protection policies and complaint procedures relating to aspects including R&D, procurement, production, operations, and service processes?	✓		(6) WNC is an ODM/JDM manufacturer, and our customers directly address all types of consumer-rights affairs. To raise the level of trust and satisfaction that customers hold for WNC's products, our customer services division has also instituted a customer satisfaction mechanism. Every year a satisfaction survey and analysis is carried out on product quality, technology, delivery, and other service items. Through this customer satisfaction survey, analysis of reasons for dissatisfaction are relayed to related business units for drawing up and execution of plans for improvement and tracking of improvement initiatives.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>(7) Does the company conduct the marketing and indication of products and services based on related laws/regulations and international standards?</td><td>✓</td><td></td><td>(7) WNC chiefly offers product ODM/JDM services. Product marketing matters are handled by customers while indications on products are also determined by customer requirements. WNC's Quality Assurance Division is responsible for green-product and customer-service matters. It cooperates with each unit of WNC to ensure WNC products are in accordance with customer requirements, environmental regulations, and related international standards during phases from product design, production, to delivery.</td><td></td></tr>
<tr><td>(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?</td><td>✓</td><td></td><td>(8) When selecting a new supplier, in addition to assessment criteria that includes operations management, quality control, and engineering abilities, WNC also requires its suppliers pass an EICC assessment conducted by WNC before it is approved as a qualified supplier. Suppliers cannot obtain approval if there are any unsolved critical issues.

When under certain extraordinary circumstances and a new supplier has yet to be approved, they must proceed through a conditional approval process.</td><td></td></tr>
<tr><td>(9) Do the contracts between the company and its major suppliers specify that the contract may be terminated at any time when the suppliers are found violating the company's CSR polices and causing a significant impact on the environment and society?</td><td>✓</td><td></td><td>(9) The WNC Group Supplier's Commitment for Code of Ethics has specified that, if a supplier violates the laws and items of the commitment, WNC may suspend, terminate, or cancel the business with that supplier. Suppliers are also required to pass an EICC assessment conducted by WNC. If the supplier fails to meet required score thresholds, it is required to submit improvement plans and conduct improvement reviews within a specified</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Description	
			timeframe. WNC will terminate cooperation with such a supplier if it fails to pass the EICC assessment within the specified timeframe.	
4. Enhancing Information Disclosure (1) Does the company disclose the information related to or has an impact on the company's CSR activities on its company website and the Market Observation Post System?	✓		(1) In addition to uploading the CSR report to the Market Observation Post System, a corporate social responsibility section and a designated e-mail contact have also been created and posted on WNC's website to provide a thorough consultation service. Meanwhile, WNC has also responded to the CDP (Carbon Disclosure Project) and the EcoVadis platform's related surveys to evaluate and disclose WNC's CSR performance and results through impartial third parties.	None
5. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, please describe any discrepancy between the principles and their implementation: To summarize the statements above, there is no notable discrepancy between the measures' implementation and WNC's corporate social responsibility principles.				
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 2015 CSR report is compiled based on the Sustainability Reporting Guidelines, Version 4 (herein referred to as the "GRI G4") published by the Global Reporting Initiative (GRI). The report has been inspected by an independent third party, SGS Taiwan Limited, based on AA1000 standards and GRI G4 requirements and has been verified that the report meets the requirements of GRI G4 Core option and AA1000 Assurance Standard type 1, moderate level.				

3.3.3 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) In order to demonstrate WNC's willingness to shoulder its social and environmental responsibilities, comply with corporate ethics, enhance the company's image, and comply with the international trend of placing closer attention to the development of labor, health and safety, environmental protection, and ethics, WNC is committed to the implementation of the EICC management system and its relevant guidelines. On July 17, 2012, WNC established the EICC Management Committee and appointed the Chief Quality Officer to serve as the management representative of the EICC Management System to be responsible for the establishment, implementation, and maintenance of the management system. WNC formulated its "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct", "Procedures for Ethical Management and Guidelines for Conduct", "Supplier Corporate Social Responsibility Code	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			of Conduct", and "WNC EICC Code of Conduct" for employees to follow. In addition, WNC has disclosed the company's ethics policies and required that all of its employees and major suppliers sign the commitment for code of ethics.	
(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?	✓		(2) WNC has formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form of reporting unlawful conduct. An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on WNC's website.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) With regard to units and personnel members encountering situations with higher potential of unethical conduct, WNC administers training and education and compiles with relevant job execution handbooks to increase employee knowledge and provide relevant guidelines. Internal auditing and regular job rotation are also implemented to reduce relevant risks. In addition, "WNC Intellectual Property Rights Management Measures" was formulated to strengthen the protection of the company's trade secrets and intellectual property rights.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(2) WNC designates the Human Resources Administration Division as the responsible unit in charge of the amendment, interpretation, and advisory services with respect to the "Procedures for Ethical Management and Guidelines for Conduct" and the recording and filing of reports. The Audit Office shall monitor the implementation of these Procedures and Guidelines and submit regular reports to the CEO.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on the WNC website. In addition, WNC has formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form of reporting incidences of unlawful conduct.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) Pursuant to legal requirements, WNC established the Audit Office, which is independent of the company and is directly under the Board of Directors. Its business scope includes all the operations of WNC and its subsidiaries. Auditing is performed in accordance with the audit plan which has been approved by the Board of Directors. The audit plan is formulated based on identified risks, and the Audit Office performs project audits when necessary and provides the management with information regarding existing faults or potential risks in a timely manner. The Audit Office reports its auditing business to the Audit Committee on a regular basis and attends the Board meetings to report to the Chairman, the Audit Committee, and the CEO when necessary.	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) WNC provides the "Supplier Corporate Social Responsibility Code of Conduct" e-learning courses to suppliers and offers counseling (training and field visits) to important major suppliers. For employees, WNC administers the "WNC CSR & EICC introduction" e-learning courses to enable employees to understand WNC's corporate social responsibilities and the "WNC EICC Code of Conduct".	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	 ✓ ✓		(1) WNC's Human Resources Administration Division is tasked with establishing complaint channels and handling employee complaints and disciplinary matters. In addition to the written reporting mechanism, an independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on the WNC website. (2) WNC has formulated the "WNC Reporting and Handling Procedure" that clearly specifies the responsible person for processing the reported matters. The reporting and handling procedure and the violation report form are utilized to detail the handling procedure and record the	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?	✓		issue and handling results in writing. In 2015, there were no cases of reporting. (3) The "WNC Reporting and Handling Procedure" specifies that the responsible unit will ensure the secrecy of the identities of the reporting parties and that they are not open to retaliation.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(1) WNC publishes the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct", and "Procedures for Ethical Management and Guidelines for Conduct" on the company's internal website for employees to check at any time. (2) WNC publishes the WNC CSR Report to elaborate on its ethical management policies and implementation results, and the information is disclosed on the company website at http://www.wnc.com.tw/index.php?action=csr. (3) WNC also publishes its "Ethical Corporate Management Best-Practice Principles" and "Code of Ethical Conduct" on the Market Observation Post System.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for				

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

4. Capital Overview

4.1 Capital and Shares

4.1.1 Type of Stock

As of April 18, 2016; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	335,224,633	164,775,367	500,000,000	Stock options: 25,000,000 shares

4.1.2 Related Information for Shelf Registration: None

4.1.3 Sources of Capital

Unit: Shares; NT$

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Value	Shares	Value	Sources of Capital (NT$ thousand)	Capital Increased by Assets Other than Cash
08/2015	10	500,000,000	5,000,000,000	335,318,633	3,353,186,330	New issuance of shares: 65,753; Cancellation of Restricted Stock Awards: 200	None
01/2016	10	500,000,000	5,000,000,000	335,224,633	3,352,246,330	Cancellation of Restricted Stock Awards: 940	None

4.1.4 Status of Shareholders

As of April 18, 2016; 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	182	212	24,332	24,738
Shareholding (shares)	43,283,083	1,492,514	138,453,846	51,177,492	100,817,698	335,224,633
Percentage	12.91%	0.45%	41.30%	15.27%	30.07%	100.00%

4.1.5 Shareholding Distribution Status

As of April 18, 2016; Unit: Shares; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1–999	10,860	1,890,882	0.56
1,000–5,000	10,686	20,757,135	6.19
5,001–10,000	1,489	10,872,867	3.24
10,001–15,000	518	6,216,933	1.85
15,001–20,000	286	5,147,805	1.54
20,001–30,000	258	6,515,062	1.94
30,001–50,000	206	8,166,111	2.44
50,001–100,000	182	13,205,394	3.94
100,001–200,000	101	14,179,200	4.23
200,001–400,000	63	17,661,605	5.27
400,001–600,000	32	15,160,902	4.52
600,001–800,000	15	10,556,771	3.15
800,001–1,000,000	9	7,591,208	2.26
1,000,001 or over	33	197,302,758	58.87
Total	24,738	335,224,633	100.00

4.1.6 List of Major Shareholders

As of April 18, 2016

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Corporation	83,004,015	24.76
Labor Pension Fund (New Scheme)	21,671,621	6.46
Cathay Life Insurance Company Limited	17,871,980	5.33
Management Board of Public Service Pension Fund	8,183,352	2.44
Labor Pension Fund	6,050,123	1.80
Haydn Hsieh	5,662,126	1.69
Fidelity Investment Trust: Fidelity Series Emerging Markets Fund	5,660,000	1.69
Labor Insurance Fund	4,010,000	1.20
Taiwan Life Insurance Co., Ltd.	3,417,854	1.02
RAM (Lux) Systematic Funds – Emerging Markets Equities	3,084,472	0.92

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

Unit: NT$

Item \ Year			2014	2015	Jan. 1, 2016–March 31, 2016
Market Price per Share	Highest Market Price		85	100	91.1
	Lowest Market Price		56.1	54	74.5
	Average Market Price		71.57	78.21	84.51
Net Worth per Share	Before Distribution		34.18	36.96	38.45
	After Distribution		31.48	(Note 1)	—
Earnings per Share	Weighted Average Shares (unit: thousand shares)		321,517	330,627	332,645
	Earnings Per Share	Current	4.28	5.97	1.56
		Adjusted	4.20	(Note 1)	—
Dividends per Share	Cash Dividends		2.7002	(Note 1)	—
	Stock Dividends	Dividends from Retained Earnings	0.2	(Note 1)	—
		Dividends from Capital Surplus	0	(Note 1)	—
	Accumulated Undistributed Dividends		0	(Note 1)	—
Return on Investment	Price / Earnings Ratio (Note 2)		16.72	13.10	—
	Price / Dividend Ratio (Note 3)		26.51	(Note 1)	—
	Cash Dividend Yield Rate (Note 4)		3.77%	(Note 1)	—

Note 1: Distribution of 2015 earnings has not yet been ratified because the shareholder’s meeting has not yet convened.

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

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

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

5. Overview of Business Operations

5.1 Business Content

I. Business Scope

1. Main Business Services

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

2. Revenue Distribution

Revenue Distribution of Products in Categories

Unit: Thousand NT$

Item \ Year	2015	
	Amount	**Percentage (%)**
Wireless communications products	50,493,654	96.76
Other	1,689,564	3.24
Total	52,183,218	100.00

3. Current products

(1) Satellite communications product series

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

(2) Mobile and portable communications product series

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

H. Wireless routers
I. NFC antennas and modules
J. High-speed server-grade network switches

(3) Other wireless products
A. Automotive radars
B. High-precision biometrics modules

4. New products under development

(1) Satellite communications product series
A. Plate-type satellite receiving antenna systems
B. Satellite communications transmitters

(2) Mobile and home communications product series
A. IoT sensors and communication modules
B. Broadband microwave transmission system
C. Fixed optical communications integrated gateways
D. Next-generation DSL broadband gateways

II. Industry Overview

1. Industry Development Trends and Current Market Status

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

(1) With regard to satellite-TV markets, North America and Western Europe once dominated global DTH (Direct-to-Home) satellite-TV service market share; now Asia and South America are seen as having the highest growth potential. In the North American market, the total number of pay-TV users was maintained at approx. 100 million, and DTH subscribers have exceeded 34 million. Driven by the pursuit of 4K HD programs bundled with networking services, network operators in Europe and the U.S. have proactively introduced a wide variety of new services to stimulate the demand for replacing out-of-date equipment. However, the number of DTH subscribers in Asia has almost caught up with that of North America, with increasing demand for related devices. The overall DTH market in Asia is maintaining a continuous growth rate. In the Latin American market, Brazil leads in the number of subscribers. With the benefit of saving the hassle of deploying connecting cables, the DTH platform has kept its position as the most popular platform with the fastest-growing number of users; Africa and South America also have a high potential for DTH platform growth due to their similar geographical characteristics, and we think highly of their key market opportunities and performance in the future.

(2) In the satellite broadcast market, since auto sales in North America have returned to their peaks, SiriusXM performed steadily in 2015 and occupied over 70% of the pre-assembly market share. Closely following trends in mobile broadband, SiriusXM has actively developed new services with IP broadcasting functions and personalized features to respond to developments in global markets and to continuously integrate 4G technologies and telematics services to diversify its business scope and drive demand for various integrated receiver products. This technology can also extend widely to other related

automotive telematics products and in turn broaden WNC's business scope.

(3) Regarding the wireless WAN market, smartphones are gradually moving to a growth plateau period after years of strong development. Total smartphone shipments in 2015 reached 1.326 billion units, suggesting slowed growth and recording an annual growth rate of 10%. Operators are also actively promoting 4G services and thus offer users various mobile broadband devices such as mobile network hotspots, mobile broadband routers, and automotive mobile modules to drive the mobile broadband market; versatile applications also place heavy demand on broadband resources necessitating urgent technology upgrades like carrier aggregation and the update of terminal devices. As a whole, the growth and influence of the extremely broad mobile-communications market is still vigorous and can still be expected to propel the development of all wireless communications manufacturers.

(4) Wi-Fi is now a required feature of notebook computers, smartphones, and tablets for consumers. In response to the more diversified Internet-access methods and demands for high-definition audio and video transmission, Wi-Fi technology has also been upgraded. Benefitting from falling chip prices, the IEEE 802.11ac AP routers demonstrated rapid growth in 2015. According to the IDC statistics, cumulative shipments in the first three quarters of 2015 increased by 139% compared to the same period in 2014. In particular, enterprise-grade products were introduced at a higher pace. Shipments of IEEE 802.11ac Wave 2 enterprise-grade products began in 2016, while IEEE 802.11ac Wave 2 consumer products had made their debut in the flagship models by different manufacturers in 2015. Strategy Analytics believes that the introduction of the wide variety of smartphones will increase the shipment of IEEE 802.11ac Wave 2 products.

With the growing penetration and maturity of wireless networks, smartphones and cloud services, smart-home services also are beginning to gain in popularity. Telecom and security service providers are now actively promoting new applications including smart home monitoring, home automation, and intelligent energy saving in addition to their traditional business scope to increase revenue. Google, Samsung, Amazon, and other brands are actively establishing alliances and developing products to tap into the smart home market. Do-it-yourself products in this segment are also becoming more innovative. Cisco estimates that the CAGR of smart-home-related revenues could exceed double digits between 2015 and 2019 in regional markets, most prominently in North America, Asia-Pacific, and Western Europe. Also, in view that the different sensors such as IP cameras, light bulbs, and smart switches in smart homes must have low power consumption and be installed wirelessly, the requirements for products to integrate multiple wireless communications technologies (such as Bluetooth, ZigBee, and Z-Wave) are also increasing, driving the demand for integrated advanced gateway routers.

In addition to the traditional consumer electronics products, the automotive industry is also actively promoting business for the Internet of Vehicles by introducing communications technologies such as Wi-Fi, Bluetooth, and 3G/4G into automobiles, providing drivers with more intelligent and interactive services. We believe this trend, supported by the statistics above, point towards an optimistic future for the WLAN market.

2. Industry Value Chain

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

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

3. Product Development Trends

(1) Digital home applications in full development

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

(2) New satellite product development trends

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

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

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

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

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

III. Technology Research and Development

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

Unit: Thousand NT$

Year	2015	Up to Mar. 31, 2016
R&D expenditures	2,044,829	470,101
Percentage of total revenue	3.92%	3.54%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or Product
2015	A. 4K satellite digital signal convertors B. Digital satellite signal LNBFs

(2) Mobile and portable communications product series

Year	Technology or Product
2015	A. 4G broadband integrated access devices B. IEEE 802.11ac wave2 routers C. High-speed server-grade network switches D. Integrated household safety gateways E. 4G small-cell equipment

(3) Other wireless products

Year	Technology or Product
2015	A. Automotive radars B. High-precision biometrics modules

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

1. Short-term business development plans

(1) Marketing Strategy

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

(2) Operations Management

A. Sustained technology development

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

B. Improving production capacity and manufacturing capability

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

2. Long-term business development plans

(1) Marketing strategy

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

(2) Operation Management

A. Implementing Internal Control Systems

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

B. Enhance Product Research and Development

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

C. Proactively Establishing Economies of Scale

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

(3) Operational Scale in Cooperation with Financial Policy

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

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

5.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2014		2015	
		Amount	Percentage of Revenue	Amount	Percentage of Revenue
Export Sales	Americas	18,708,940	46.39%	28,382,614	54.39%
	Asia	12,350,847	30.63%	13,374,096	25.63%
	Europe	5,418,303	13.43%	6,728,575	12.89%
	Others	179,742	0.45%	115,366	0.22%
	Total	36,657,832	90.90%	48,600,651	93.13%
Domestic Sales		3,669,086	9.10%	3,582,567	6.87%

2. Market share

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

3. Future market status and growth potential

(1) Satellite communications product series
In recent years, high-definition satellite TV services have been heavily promoted in mature satellite TV markets in both the U.S. and Europe, as well as in emerging markets in Asia and South America. DIRECTV, a U.S. company, emphasizes its portfolio of more than 200 channels of HD programming and is expecting to launch Ultra HD channels in 2016. Upgrading of services stimulates demand for HD receiving equipment as well as replacement of out-of-date receiving devices. In addition, many countries have started to recall frequency bands originally utilized by analog TV. These actions encourage former users to turn to new services, ultimately bringing benefits to satellite markets. The rapid growth of the Asian and South American markets together with strong demand for high-quality satellite receiving equipment at a low price and the strong demand for IP satellite receivers suggest that the entire DTH market will develop in a virtuous cycle through the near future.

(2) Mobile and portable communications product series
In 2015, shipments of mobile devices including smartphones and tablets have become stable. Nevertheless, integration of more versatile wireless technologies has driven growth in demand for mobile-phone antennas and other communication modules; with the decreasing cost of mobile broadband and in the face of the next few years' trend of strong growth in smartphones, the integration of cross-industry product services centering on software will become more and more important. Examples include applications that use high-speed mobile networks to transfer driving data and vehicle operation information to a

cloud server and then synchronizing that information to handheld devices for users to assess their vehicle state in real-time or applications that integrate multiple communication technologies to more precisely obtain information on electricity usage to improve the efficiency of the smart grid and on new opportunities in vertical markets. These are all great opportunities for future IoT markets.

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

4. Competitive Advantages

(1) Competitive Advantages of WNC

A. Professional management team

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

B. Complete product technical solutions

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

C. Comprehensive quality management systems

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

D. Lean cost control mechanism

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

5. Future development factors and strategies in response

(1) Favorable factors:

A. Growth of the digital broadcast industry

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

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

B. The wireless communications era is here.

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

C. Trends in highly integrated networks and mobile devices

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

D. The growing popularity of the IoT

Since the notion of the Internet of Things was first raised in 1999, it has been evolving for over 15 years. With the maturity of cloud technology, sensing devices, and wireless networks, the world in which everything is connected is no longer an imaginary scene in a science-fiction movie, but has become a real part of our everyday lives. From portable health monitoring and motion detection applications to the nationwide intelligent power distribution management, the subject of the IoT has become prominent in the information age. Various applications require the support of devices with different functions; some applications even demand specific environments and communication technologies. This poses a huge challenge for manufacturers' wireless RF design and system integration capabilities and has been regarded as another paradigm shift in human civilization. With years of experience in consumer and industrial product design and competence in a complete range of wireless communications technologies, WNC can offer customers innovative solutions that are competitive in terms of technology, quality, and cost, serving an irreplaceable role during this fourth industrial revolution.

(2) Unfavorable factors:

A. Domestic software talent shortage

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

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

B. Operational costs have increased

The labor costs in mainland China are rising continuously due to local regulations, and it has placed great pressure on the entire manufacturing industry regarding the cost of materials and manufacturing. In 2015, the currency exchange rates in Japan and Europe fluctuated dramatically, and they had considerable effects on the global economy and industrial operations. Although the U.S. has recovered to steady growth, global political risks and uncertainties still exist, which may have a direct or indirect influence on the operations and profit-earning ability of the company.

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

C. Exchange-rate fluctuations influence company profits

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

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

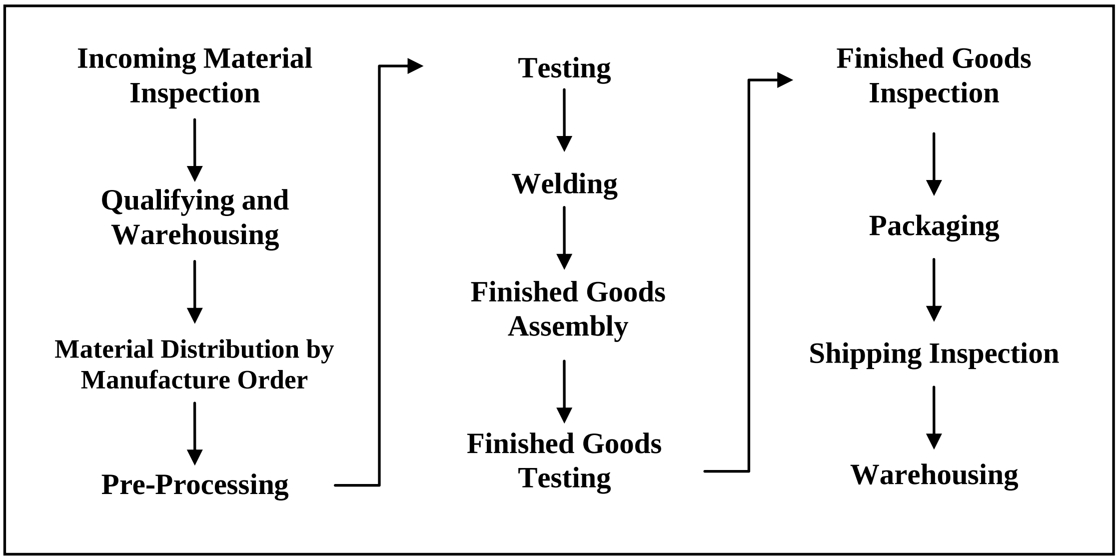
II. Primary Applications of Major Products and Production Processes

1. Primary Applications

	Satellite Communications Product Series	Mobile and Portable Communications Product Series
Functions and Features of Products	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide any form of wireless communication services without geographical limits. Satellite communications offer high quality and large capacity and utilize microwave bands and re-utilize all other frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	<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. Moreover, the latest 4G standards including WiMAX and LTE which utilize OFDM technologies were developed from 2008 to 2010. With the increasing deployment of LTE and LTE-A by operators, the worldwide mobile network is entering a new era of high-speed mobile broadband and has started the development of related markets. <u>Broadband Networks:</u> To enable interoperability between different WLAN solutions and create a unified standard for communications between wireless and wired transmission, the IEEE (Institute of Electrical and Electronics Engineers) has defined the IEEE 802.11 standards for wireless LAN. As for middle- and long-distance wireless communications within 30 meters to 300 meters, any devices complying with IEEE 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with IEEE 802.11 standards.
Main Applications	Are mainly applied to satellite TV, satellite broadcasting, and digital broadcasting services. They are utilized in areas that lack telecom services or across vast areas of land while providing diversified sources of information.	<u>WLAN Networks:</u> The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of the 3G and 4G high-bandwidth technologies described above, the mobile broadband market and related industries is expected to develop at a rapid pace. The development will not only bring improved user experiences in mobile wireless broadband, but may also form a new industry structure and generate competition among highly integrated

	Satellite Communications Product Series	Mobile and Portable Communications Product Series
		terminal devices, revolutionizing the entire telecom industry. <u>Broadband Networks (IEEE 802.11X):</u> The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on IEEE 802.11 standards. IEEE 802.11 standards support long transmission distances and high data rates. At present, products conforming to IEEE 802.11a/b/g/n/ac have a data rate of 1 Gbps and a range of 30 meters to 300 meters. Therefore, WLAN products are usually applied in larger environments where wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For instance, in-home and public-area networks and enterprise applications can cover markets such as homes, enterprises, logistics, and medical care. Currently, WLAN applications are integrated with multimedia functionality and have become a trend in the wireless digital-home network market.

2. Production Process



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

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

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

IV. Key Accounts During the Most Recent Two Years

1. Key Buyers

Unit: Thousand NT$

	2014				2015				Up to Mar. 31, 2016			
	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC	From*	Amount	Percentage of Total Net Sales (%)	Relation-ship with WNC
1	Customer A	6,067,929	15	-	Customer A	6,404,227	12	-	Customer A	1,762,233	13	-
2	Customer B	516,621	1	-	Customer B	5,951,478	11	-	Customer B	1,322,338	10	-
3	Others	33,742,368	84	-	Others	39,827,513	77	-	Others	10,210,937	77	-
	Total	40,326,918	100	-	Total	52,183,218	100	-	Total	13,295,508	100	-

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

2. Key Suppliers: None

V. Production Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2014			2015		
	Capacity	**Quantity**	**Value**	**Capacity**	**Quantity**	**Value**
Wireless Communications Products	307,100,000	301,680,919	36,985,404	315,010,000	313,671,647	48,439,576
Others	0	0	0	0	0	0
Total	307,100,000	301,680,919	36,985,404	315,010,000	313,671,647	48,439,576

VI. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2014				2015			
	Domestic		**Export**		**Domestic**		**Export**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Wireless Communications Products	30,496,395	3,026,309	205,687,188	35,967,278	31,380,611	3,144,775	201,369,055	47,348,879
Others	0	642,777	0	690,554	0	437,792	0	1,251,772
Total	30,496,395	3,669,086	205,687,188	36,657,832	31,380,611	3,582,567	201,369,055	48,600,651

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		2014	2015	As of Mar. 31, 2016
Number of Employees	Sales	250	322	321
	R&D	790	865	874
	Manufacturing	1,002	1,069	1,119
	Administration	604	620	636
	Direct Labor	7,729	7,884	7,093
Total		10,375	10,760	10,043
Average Age		27.05	29.2	28.6
Average Years of Service		1.88	2.1	2.1
Education	PhD	0.32%	0.28%	0.29%
	Master's	7.02%	7.63%	8.39%
	Bachelor's	19.81%	19.83%	23.81%
	Others	72.85%	72.26%	67.51%

5.4 Environmental Protection Measures

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

6. Financial Standing

6.1 Most Recent Five-Year Concise Financial Information

6.1.1 Financial Information Based on IFRSs: Consolidated

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period (Note 1)		Most Recent Five-Year Financial Information					Financial Information as of March 31, 2016
		2011	2012	2013	2014	2015	
Current assets		-	15,251,582	16,797,438	17,821,608	20,621,683	21,505,066
Property, plant, and equipment		-	4,762,197	4,669,660	5,232,640	6,398,183	6,717,675
Intangible assets		-	54,114	56,858	59,682	56,773	54,152
Other assets		-	743,314	746,274	715,505	779,361	757,961
Total assets		-	20,811,207	22,270,230	23,829,435	27,856,000	29,034,854
Current liabilities	Before distribution	-	9,576,983	11,338,995	12,115,123	14,858,513	14,119,993
	After distribution	-	10,246,251	12,304,299	13,002,784	Note 2	Note 2
Non-current liabilities		-	1,785,748	408,630	478,814	605,028	2,027,056
Total liabilities	Before distribution	-	11,362,731	11,747,625	12,593,937	15,463,541	16,147,049
	After distribution	-	12,031,999	12,712,929	13,481,598	Note 2	Note 2
Equity attributable to parent's shareholders		-	9,448,476	10,522,605	11,235,498	12,392,459	12,887,805
Common stock		-	3,045,415	3,225,014	3,287,634	3,353,187	3,352,247
Capital surplus		-	2,051,579	2,212,882	2,369,650	2,369,850	2,425,986
Retained earnings	Before distribution	-	4,422,251	5,173,321	5,515,923	6,476,812	6,995,254
	After distribution	-	3,661,719	4,143,663	4,562,509	Note 2	Note 2
Other equity		-	(70,769)	(88,612)	62,291	192,610	114,318
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Equity	Before distribution	-	9,448,476	10,522,605	11,235,498	12,392,459	12,887,805
	After distribution	-	8,779,208	9,557,301	10,347,837	Note 2	Note 2

Source: Consolidated financial statements audited by a CPA; financial information as of the end of first quarter 2016, reviewed and approved by a CPA

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

Note 2: The resolution for earnings distribution for Year 2015 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Consolidated Statements of Comprehensive Income

Unit: Thousand NT$

Item / Period (Note)	Most Recent Five-Year Financial Information					Financial Information as of March 31, 2016
	2011	2012	2013	2014	2015	
Net operating revenues	-	34,434,519	36,653,661	40,326,918	52,183,218	13,295,508
Gross profit	-	4,655,244	5,191,044	5,420,254	6,930,899	1,770,370
Operating income	-	1,483,719	1,783,136	1,708,627	2,347,699	694,060
Non-operating income and expenses	-	(51,348)	176,967	71,562	201,932	(34,024)
Profit before tax	-	1,432,371	1,960,103	1,780,189	2,549,631	660,036
Continuing operations' profit for the period	-	1,109,748	1,518,331	1,376,388	1,972,508	518,170
Losses from discontinued operations	-	-	-	-	-	-
Profit	-	1,109,748	1,518,331	1,376,388	1,972,508	518,170
Other comprehensive income for the period (net after-tax)	-	(68,058)	167,222	144,625	(66,478)	(102,749)
Total comprehensive income for the period	-	1,041,690	1,685,553	1,521,013	1,906,030	415,421
Profit to parent's shareholders	-	1,109,748	1,518,331	1,376,388	1,972,508	518,170
Profit to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	1,041,690	1,685,553	1,521,013	1,906,030	415,421
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS (NT$)	-	3.66	4.84	4.28	5.97	1.56

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2016, reviewed and approved by a CPA

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

6.1.2 Financial Information Based on IFRSs: Independent

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item		Period (Note 1) Most Recent Five-Year Financial Information 2011	2012	2013	2014	2015
Current assets		-	11,725,594	13,108,459	13,605,463	16,766,583
Property, plant, and equipment		-	1,880,146	1,858,562	2,291,171	2,837,649
Intangible assets		-	51,940	54,937	59,345	56,179
Other assets		-	4,205,475	4,625,107	5,484,430	5,701,877
Total assets		-	17,863,155	19,647,065	21,440,409	25,362,288
Current liabilities	Before distribution	-	6,628,931	8,715,835	9,726,097	12,364,801
	After distribution	-	7,298,199	9,681,139	10,613,758	Note 2
Non-current liabilities		-	1,785,748	408,625	478,814	605,028
Total liabilities	Before distribution	-	8,414,679	9,124,460	10,204,911	12,969,829
	After distribution	-	9,083,947	10,089,764	11,092,572	Note 2
Equity attributable to parent's shareholders		-	-	-	-	-
Common stock		-	3,045,415	3,225,014	3,287,634	3,353,187
Capital surplus		-	2,051,579	2,212,882	2,369,650	2,369,850
Retained earnings	Before distribution	-	4,422,251	5,173,321	5,515,923	6,476,812
	After distribution	-	3,661,719	4,143,663	4,562,509	Note 2
Other equity		-	(70,769)	(88,612)	62,291	192,610
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Equity	Before distribution	-	9,448,476	10,522,605	11,235,498	12,392,459
	After distribution	-	8,779,208	9,557,301	10,347,837	Note 2

Source: Independent financial statements audited by a CPA

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

Note 2: The resolution for earnings distribution for Year 2015 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Independent Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Period (Note)	Most Recent Five-Year Financial Information				
	2011	2012	2013	2014	2015
Net operating revenues	-	32,103,091	35,177,877	39,114,287	52,436,179
Gross profit	-	3,787,372	4,130,342	4,346,696	5,607,299
Operating income	-	1,351,114	1,473,202	1,384,525	1,887,661
Non-operating income and expenses	-	22,844	391,666	300,744	568,762
Profit before tax	-	1,373,958	1,864,868	1,685,269	2,456,423
Continuing operations' profit for the period	-	1,109,748	1,518,331	1,376,388	1,972,508
Losses from discontinued operations	-	-	-	-	-
Profit	-	1,109,748	1,518,331	1,376,388	1,972,508
Other comprehensive income for the period (net after-tax)	-	(68,058)	167,222	144,625	(66,478)
Total comprehensive income for the period	-	1,041,690	1,685,553	1,521,013	1,906,030
Profit to parent's shareholders	-	1,109,748	1,518,331	1,376,388	1,972,508
Profit to non-controlling interests	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	1,041,690	1,685,553	1,521,013	1,906,030
Total comprehensive income to non-controlling interests	-	-	-	-	-
EPS (NT$)	-	3.66	4.84	4.28	5.97

Source: Independent financial statements audited by a CPA

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

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

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information	
		2011	2012
Current assets		16,496,797	15,305,884
Fund and long-term equity investments		196,823	201,779
Net property, plant, and equipment		4,497,824	4,457,945
Intangible assets		125,913	129,530
Other assets		693,023	671,633
Total assets		22,010,380	20,766,771
Current liabilities	Before distribution	10,918,274	9,512,061
	After distribution	11,930,303	10,181,329
Corporate bonds payable		1,434,637	1,460,882
Other liabilities		309,073	306,201
Total liabilities	Before distribution	12,661,984	11,279,144
	After distribution	13,674,013	11,948,412
Common stock		2,899,106	3,045,415
Capital surplus		1,954,973	2,051,579
Retained earnings	Before distribution	4,353,702	4,325,357
	After distribution	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		4,572	8,314
Translation adjustments and other equity adjustments		136,043	56,962
Stockholders' equity	Before distribution	9,348,396	9,487,627
	After distribution	8,336,367	8,818,359

Source: Consolidated financial statements audited by a CPA

2. Concise Consolidated Statements of Comprehensive Income

Unit: Thousand NT$

Period / Item	Most Recent Financial Information	
	2011	2012
Net operating revenues	33,982,114	34,434,519
Gross profit	5,286,186	4,681,645
Operating income	2,078,840	1,484,669
Non-operating income	247,070	124,569
Non-operating expenses	96,788	174,253
Income from continuing operations before income tax	2,229,122	1,434,985
Net income for continuing operations	1,709,540	1,128,260
Net income	1,709,540	1,128,260
EPS (NT$) (Before retrospective adjustments)	5.98	3.72

Source: Consolidated financial statements audited by a CPA

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

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information	
		2011	2012
Current assets		12,241,933	11,780,163
Fund and long-term equity investments		3,850,079	3,834,822
Net property, plant, and equipment		2,040,883	1,727,002
Intangible assets		42,537	51,940
Other assets		204,780	519,462
Total assets		18,380,212	17,913,389
Current liabilities	Before distribution	7,288,106	6,658,679
	After distribution	8,300,135	7,327,947
Corporate bonds payable		1,434,637	1,460,882
Other liabilities		309,073	306,201
Total liabilities	Before distribution	9,031,816	8,425,762
	After distribution	10,043,845	9,095,030
Common stock		2,899,106	3,045,415
Capital surplus		1,954,973	2,051,579
Retained earnings	Before distribution	4,353,702	4,325,357
	After distribution	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		4,572	8,314
Translation adjustments and other equity adjustments		136,043	56,962
Stockholders' equity	Before distribution	9,348,396	9,487,627
	After distribution	8,336,367	8,818,359

Source: Financial statements audited by a CPA

2. Concise Independent Statements of Comprehensive Income

Unit: Thousand NT$

Period / Item	Most Recent Financial Information	
	2011	2012
Net operating revenues	31,891,991	32,103,091
Gross profit	3,861,174	3,813,773
Operating income	1,267,413	1,352,885
Non-operating income	870,397	168,440
Non-operating expenses	27,267	128,411
Income from continuing operations before income tax	2,110,543	1,392,914
Net income for continuing operations	1,709,540	1,128,260
Net income	1,709,540	1,128,260
EPS (NT$)	5.98	3.72

Source: Financial statements audited by a CPA

6.1.5 CPA Opinions in the Most Recent Five Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
2011	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unqualified opinion
2012	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion
2013	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion
2014	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unqualified opinion
2015	KPMG	Hai-Ning Huang, Sing-Hai Wei	Unqualified opinion

6.2 Most Recent Five-Year Financial Analysis

6.2.1 Financial Analysis Based on IFRSs: Consolidated

Item	Period (Note)	Most Recent Five-Year Financial Information					For the Year Ending March 31, 2016
		2011	2012	2013	2014	2015	
Financial ratio (%)	Total liabilities to total assets	-	54.6	52.75	52.85	55.51	55.61
	Long-term debts to property, plant, and equipment	-	229.08	225.34	214.72	193.69	213.35
Ability to pay off debt (%)	Current ratio	-	159.25	148.14	147.10	138.79	152.3
	Quick ratio	-	122.48	118.52	107.45	93.12	95.39
	Interest coverage ratio	-	15.22	31.02	36.54	92.72	58.46
Ability to operate	A/R turnover (times)	-	5.62	6.63	6.18	6.04	5.83
	A/R turnover days	-	65	55	59	60	63
	Inventory turnover (times)	-	8.16	9.72	9.18	8.19	6.42
	Average days to sell inventory	-	45	38	40	45	57
	Accounts payable turnover (times)	-	6.27	6.66	5.48	5.37	5.07
	Property, plant, and equipment turnover (times)	-	7.15	7.77	8.14	8.97	8.11
	Total assets turnover (times)	-	1.60	1.70	1.75	2.02	1.87
Earnings ability	Return on assets (%)	-	5.53	7.28	6.14	7.72	7.42
	Return on equity (%)	-	11.83	15.21	12.65	16.70	16.40
	Profit before tax to paid-in capital ratio (%)	-	47.14	61.01	54.15	76.04	78.76
	Net income ratio (%)	-	3.22	4.14	3.41	3.78	3.90
	EPS (NT$)	-	3.66	4.84	4.28	5.97	1.56
Cash flow (%)	Cash flow ratio (%)	-	27.86	36.63	11.76	10.55	9.00
	Cash flow adequacy ratio (%)	-	Note	Note	Note	Note	Note
	Cash reinvestment ratio (%)	-	11.53	23.37	2.73	3.58	1.51
Leverage	Operating leverage	-	1.66	1.55	1.58	1.50	1.49
	Financial leverage	-	1.07	1.04	1.03	1.01	1.02

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter 2016, reviewed and approved by a CPA

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

6.2.2 Financial Analysis Based on IFRSs: Independent

Item	Period (Note 1)	Most Recent 5-Year Financial Information				
		2011	2012	2013	2014	2015
Financial ratio (%)	Total liabilities to total assets	-	47.11	46.44	47.60	51.14
	Long-term debts to property, plant, and equipment	-	580.24	566.17	490.38	436.72
Ability to pay off debt (%)	Current ratio	-	176.89	150.40	139.89	135.60
	Quick ratio	-	156.78	138.07	119.48	112.84
	Interest coverage ratio	-	33.74	44.76	59.64	222.18
Ability to operate	A/R turnover (times)	-	4.78	5.86	5.88	5.48
	A/R turnover days	-	76	62	62	67
	Inventory turnover (times)	-	27.85	29.28	26.66	21.21
	Average days to sell inventory	-	13	12	14	17
	Accounts payable turnover (times)	-	7.09	8.17	6.36	6.12
	Property, plant, and equipment turnover (times)	-	16.88	18.82	18.85	20.45
	Total assets turnover (times)	-	1.77	1.88	1.90	2.24
Earnings ability	Return on assets (%)	-	6.32	8.28	6.81	8.47
	Return on equity (%)	-	11.83	15.21	12.65	16.70
	Profit before tax to paid-in capital ratio (%)	-	45.22	58.05	51.26	73.26
	Net income ratio (%)	-	3.46	4.32	3.52	3.76
	EPS (NT$)	-	3.66	4.84	4.28	5.97
Cash flow (%)	Cash flow ratio (%)	-	12.82	36.83	19.5	Note 2
	Cash flow adequacy ratio (%)	-	Note 1	Note 1	Note 1	Note 1
	Cash reinvestment ratio (%)	-	Note 2	20.82	6.93	Note 2
Leverage	Operating leverage	-	1.19	1.23	1.25	1.31
	Financial leverage	-	1.03	1.03	1.02	1.01

Source: Independent financial statements audited by a CPA

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

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

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

Item		Period	Most Recent Financial Information	
			2011	2012
Liquidity ratios (%)	Total liabilities to total assets		57.53	54.31
	Long-term debts to fixed assets		239.74	245.60
Debt ratios (%)	Current ratio		151.09	160.91
	Quick ratio		113.79	124.91
	Interest coverage ratio		24.17	15.25
Activity ratios	A/R turnover (times)		5.54	5.67
	A/R turnover days		66	64
	Inventory turnover (times)		8.16	8.16
	Average days to sell inventory		45	45
	Accounts payable turnover (times)		5.62	6.27
	Fixed assets turnover (times)		7.56	7.72
	Total assets turnover (times)		1.54	1.66
Earnings ability	Return on assets (%)		8.87	5.65
	Return on equity (%)		19.57	11.98
	Paid-in capital ratio (%)	Operating income	72.86	48.86
		PBT	77.86	47.23
	Net income ratio (%)		5.03	3.28
	EPS (NT$)		5.98	3.72
Cash flow (%)	Cash flow ratio		13.84	28.09
	Cash flow adequacy ratio		71.08	79.46
	Cash reinvestment ratio		4.06	11.63
Leverage	Operating leverage		1.43	1.66
	Financial leverage		1.05	1.07

Source: Consolidated financial statements audited by a CPA

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

Item			Period: Most Recent Financial Information 2011	2012
Liquidity ratios (%)	Total liabilities to total assets		49.14	47.04
	Long-term debts to fixed assets		528.35	633.96
Debt ratios (%)	Current ratio		167.97	176.91
	Quick ratio		156.18	158.13
	Interest coverage ratio		78.51	34.19
Activity ratios	A/R turnover (times)		4.81	4.82
	A/R turnover days		76	76
	Inventory turnover (times)		30.34	27.83
	Average days to sell inventory		12	13
	Accounts payable turnover (times)		6.71	7.08
	Fixed assets turnover (times)		15.63	18.59
	Total assets turnover (times)		1.74	1.79
Earnings ability	Return on assets (%)		10.28	6.41
	Return on equity (%)		19.57	11.98
	Paid-in capital ratio (%)	Operating income	44.27	44.52
		PBT	73.72	45.84
	Net income ratio (%)		5.36	3.51
	EPS (NT$)		5.98	3.72
Cash flow (%)	Cash flow ratio		19.04	12.77
	Cash flow adequacy ratio		111.29	87.84
	Cash reinvestment ratio		3.5	Note
Leverage	Operating leverage		1.26	1.19
	Financial leverage		1.02	1.03
Note: Net cash flow from operating activities is negative and has no value for analysis.				

Source: Independent financial statements audited by a CPA

6.3 2015 Audit Committee’s Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2015 business report, financial statements, and the profit allocation proposal. The CPA firm KPMG was retained to audit the financial statements of Wistron NeWeb Corporation and has issued an audit report relating to the financial statements. The business report, financial statements, and the profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron NeWeb Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation, 2016 Annual Shareholders’ Meeting

Chairman of the Audit Committee: Robert Hung

March 16, 2016

6.4 Financial Reports

Independent Auditors' Report

The Board of Directors

Wistron NeWeb Corporation:

We have audited the accompanying consolidated balance sheets of Wistron NeWeb Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by Financial Supervisory Commission of the Republic of China.

We have also audited the parent-company-only financial statements of Wistron NeWeb Corporation as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

We have reviewed the consolidated financial statements referred to in the first paragraph which have been translated into United States dollars solely for the convenience of the readers. Please see note 14 of the consolidated financial statements.

March 16, 2016

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

The auditors' report and the accompanying 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.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	December 31, 2015		December 31, 2014	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 3,218,734	12	4,230,147	18
Financial assets at fair value through profit or loss－current (note 6(2))	172	-	-	-
Available-for-sale financial assets－current (note 6(2))	739,716	3	1,219,611	5
Notes receivable (note 6(2))	322,707	1	172,180	1
Accounts receivable, net (note 6(2))	9,298,477	33	7,185,356	30
Accounts receivable from related parties (note 7)	138,828	-	153,111	1
Inventories, net (note 6(3))	6,588,521	24	4,467,936	19
Other financial assets－current (note 6(2))	118,208	-	57,669	-
Other current assets (note 7)	196,320	1	335,598	1
Total current assets	20,621,683	74	17,821,608	75
Non-current assets:				
Financial assets carried at cost－non-current (note 6(2))	110,336	-	171,064	1
Investments accounted for using equity method (note 6(4))	151,148	1	138,828	-
Property, plant and equipment (notes 6(5) and 7)	6,398,183	23	5,232,640	22
Intangible assets (note 6(7))	56,773	-	59,682	-
Deferred tax assets (note 6(13))	294,297	1	163,120	1
Refundable deposits	8,937	-	12,069	-
Other non-current assets (note 6(2))	214,643	1	230,424	1
Total non-current assets	7,234,317	26	6,007,827	25
Total assets	**$ 27,856,000**	**100**	**23,829,435**	**100**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	December 31, 2015		December 31, 2014	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (note 6(8))	$ 2,067,880	8	2,024,739	9
Financial liabilities at fair value through profit or loss－current (note 6(2))	-	-	870	-
Notes and accounts payable	9,180,394	33	7,471,538	31
Accounts payable to related parties (note 7)	113,498	-	97,468	-
Salary and bonus payable	1,411,372	5	999,827	4
Other accrued expenses	1,038,148	4	794,281	3
Provisions－current (note 6(9))	231,326	1	120,200	1
Other current liabilities	815,895	3	606,200	3
Total current liabilities	14,858,513	54	12,115,123	51
Non-current liabilities:				
Deferred tax liabilities (note 6(13))	515,008	2	457,687	2
Net defined benefit liabilities－non-current (note 6(12))	85,477	-	21,127	-
Other non-current liabilities	4,543	-	-	-
Total non-current liabilities	605,028	2	478,814	2
Total liabilities	15,463,541	56	12,593,937	53
Equity (notes 6(14) and (15)):				
Ordinary share capital	3,353,187	12	3,287,634	14
Capital surplus	2,369,850	8	2,369,650	10
Retained earnings	6,476,812	23	5,515,923	23
Other equity interest	192,610	1	62,291	-
Total equity	12,392,459	44	11,235,498	47
Total liabilities and equity	**$ 27,856,000**	**100**	**23,829,435**	**100**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	For the years ended December 31,			
	2015		2014	
	Amount	%	Amount	%
Net operating revenues (notes 6(17) and 7)	$ 52,183,218	100	40,326,918	100
Operating costs (notes 6(3), (12), (18) and 7)	45,252,319	87	34,906,664	87
Gross profit	6,930,899	13	5,420,254	13
Operating expenses (notes 6(11), (12), (18) and 7):				
Selling	1,620,404	3	1,259,763	3
General and administrative	917,967	1	804,941	2
Research and development	2,044,829	4	1,646,923	4
Total operating expenses	4,583,200	8	3,711,627	9
Net operating income	2,347,699	5	1,708,627	4
Non-operating income and expenses:				
Other income (notes 6(11) and (19))	108,104	-	73,747	-
Other gains and losses, net (note 6(19))	103,909	-	37,380	-
Finance costs (note 6(19))	(27,798)	-	(50,085)	-
Share of profit of associates accounted for using equity method (note 6(4))	17,717	-	10,520	-
Total non-operating income and expenses	201,932	-	71,562	-
Income before income tax	2,549,631	5	1,780,189	4
Income tax expenses (note 6(13))	577,123	1	403,801	1
Net income	**1,972,508**	**4**	**1,376,388**	**3**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans (note 6(12))	(70,127)	-	(5,495)	-
Income tax relating to items that will be not reclassified subsequently (note 6(13))	11,922	-	934	-
Total items that will not be reclassified subsequently to profit or loss	(58,205)	-	(4,561)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(5,836)	-	189,560	1
Unrealized gains (losses) on available-for-sale financial assets	(3,429)	-	(8,149)	-
Income tax relating to items that may be reclassified subsequently (note 6(13))	992	-	(32,225)	-
Total items that may be reclassified subsequently to profit or loss	(8,273)	-	149,186	1
Other comprehensive income	(66,478)	-	144,625	1
Total comprehensive income	**$ 1,906,030**	**4**	**1,521,013**	**4**
Earnings per share (New Taiwan dollars) (note 6(16))				
Basic earnings per share	**$ 5.97**		**4.20**	
Diluted earnings per share	**$ 5.82**		**4.03**	

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(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	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, 2014	$ 3,212,730	12,284	2,212,882	1,105,730	108,123	3,959,468	5,173,321	90,422	12,760	(191,794)	(88,612)	10,522,605
Net income for the period	-	-	-	-	-	1,376,388	1,376,388	-	-	-	-	1,376,388
Other comprehensive income for the period	-	-	-	-	-	(4,561)	(4,561)	157,335	(8,149)	-	149,186	144,625
Total comprehensive income for the period	-	-	-	-	-	1,371,827	1,371,827	157,335	(8,149)	-	149,186	1,521,013
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	151,833	-	(151,833)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(965,304)	(965,304)	-	-	-	-	(965,304)
Stock dividends distributed to shareholder	64,354	-	-	-	-	(64,354)	(64,354)	-	-	-	-	-
Exercise of employee share options	8,900	(12,284)	20,403	-	-	-	-	-	-	-	-	17,019
Issuance of restricted stock awards	3,900	-	13,399	-	-	-	-	-	-	(17,299)	(17,299)	-
Compensation cost of issued restricted stock awards	-	-	120,716	-	-	433	433	-	-	19,016	19,016	140,165
Expiration of restricted stock awards	(2,250)	-	2,250	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	3,287,634	-	2,369,650	1,257,563	108,123	4,150,237	5,515,923	247,757	4,611	(190,077)	62,291	11,235,498
Net income for the period	-	-	-	-	-	1,972,508	1,972,508	-	-	-	-	1,972,508
Other comprehensive income for the period	-	-	-	-	-	(58,205)	(58,205)	(4,844)	(3,429)	-	(8,273)	(66,478)
Total comprehensive income for the period	-	-	-	-	-	1,914,303	1,914,303	(4,844)	(3,429)	-	(8,273)	1,906,030
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	137,639	-	(137,639)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(887,661)	(887,661)	-	-	-	-	(887,661)
Stock dividends distributed to shareholder	65,753	-	-	-	-	(65,753)	(65,753)	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	138,592	138,592	138,592
Expiration of restricted stock awards	(200)	-	200	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2015	**$ 3,353,187**	**-**	**2,369,850**	**1,395,202**	**108,123**	**4,973,487**	**6,476,812**	**242,913**	**1,182**	**(51,485)**	**192,610**	**12,392,459**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2015	2014
Cash flows from operating activities:		
Net income before tax	$ 2,549,631	1,780,189
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation (including depreciation of investment property)	1,103,368	920,717
Amortization	62,660	75,140
Provision for doubtful accounts, net	12,882	49,355
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(1,042)	396
Interest expense	27,798	50,085
Interest income	(21,732)	(35,198)
Compensation cost of issued restricted stock awards	138,592	140,165
Share of profit of associates accounted for using equity method	(17,717)	(10,520)
Loss (gain) on disposal of investment, net	16,043	(17,475)
Adjustment for other non-cash-related losses, net	22,954	27,462
Provision for inventory devaluation loss	56,810	64,754
Total adjustments to reconcile profit (loss)	1,400,616	1,264,881
Changes in operating assets and liabilities:		
Notes receivable	(150,527)	(47,883)
Accounts receivable	(2,126,003)	(1,998,021)
Accounts receivable from related parties	14,283	15,563
Inventories	(2,177,395)	(1,393,859)
Other operating assets	84,448	(254,875)
Notes and accounts payable	1,708,856	2,415,554
Accounts payable to related parties	16,030	(8,028)
Other operating liabilities	706,730	46,485
Total changes in operating assets and liabilities	(1,923,578)	(1,225,064)
Total adjustments	(522,962)	39,817
Cash flows generated from operations	2,026,669	1,820,006
Interest received	23,558	37,047
Interest paid	(29,104)	(37,637)
Income tax paid	(453,548)	(395,272)
Net cash flows generated from operating activities	1,567,575	1,424,144
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(1,912,000)	(1,571,000)
Proceeds from disposal of available-for-sale financial assets	2,396,443	2,821,517
Acquisition of financial assets carried at cost－non-current	(7,713)	(91,132)
Proceeds from capital return of financial assets carried at cost－non-current	22,345	-
Proceeds from disposal of financial assets carried at cost－non-current	22,076	-
Acquisition of property, plant and equipment	(2,216,225)	(1,100,655)
Proceeds from disposal of property, plant and equipment	9,362	1,169
Acquisition of intangible assets	(59,731)	(77,958)
Decrease (increase) in refundable deposits	3,132	(991)
Capital received from an associate	4,836	6,178
Net cash flows used in investing activities	(1,737,475)	(12,872)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	43,141	(226,589)
Repayments of bonds	-	(1,500,000)
Cash dividends paid	(887,661)	(965,304)
Exercise of employee share options	-	17,019
Net cash flows used in financing activities	(844,520)	(2,674,874)
Effect of exchange rate changes	3,007	85,616
Net decrease in cash and cash equivalents	(1,011,413)	(1,177,986)
Cash and cash equivalents at beginning of period	4,230,147	5,408,133
Cash and cash equivalents at end of period	$ 3,218,734	4,230,147

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(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 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, 2015, comprise the Company and its subsidiaries (together referred to as the "Group") and the Company's interest in associates. The Group is engaged mainly in the research, development, production, and sale of wired communication equipment, wireless communication networking equipment, electronic components, regulated telecommunication radio frequency equipment, satellite communication systems, and mobile and portable communication equipment.

2. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2016.

3. New Standards and Interpretations Adopted

(1) The Impact of the new standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group adopted the 2013 version of IFRS (excluding IFRS 9 *Financial Instruments*) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations announced by the International Accounting Standards Board ("IASB") are as follows:

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

(Continued)

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

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

A. IAS 19 *"Employee Benefits"*

The amendments to IAS 19 require the Group to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs. However, it required to recognize all the remeasurement of defined benefit plans (including actuarial gains and losses) to be recognized immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vesting on a straight-line basis.

An entity is required to recognize the termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs, and not just when the termination of employment happens. This standard also increases the requirement for disclosures of the defined benefit plans.

In addition, the amendments also require a broader disclosure in the defined benefit plans. There is no significant impact in the Group's financial position and results of operations after the evaluation. The Group discloses the defined benefit plan as the standard requires.

(Continued)

B. IFRS 10 "*Consolidated Financial Statements*"

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

The Group evaluated that the adoption of the above standard and believed that the equity method of accounting still should be used. As a result, there were no change from the amounts recognized in assets, liabilities and comprehensive income.

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

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

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

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

E. IFRS 13 "*Fair Value Measurement*"

The standard defines fair value, establishes a framework for measuring fair value and requires disclosures on fair value measurement. There is no significant impact in the Group's financial position and results of operations after the evaluation. Under this standard, the Group has increased its disclosures on the fair value measurement.

(2) The new standards and interpretations announced by the IASB but not yet endorsed by the FSC

The new standards, interpretations and amendments issued by the IASB at the end of the reporting period (hereinafter referred to as the reporting date) of the prior fiscal year, but not yet endorsed by the FSC until the reporting date of the financial statements are summarized as below:

New standards, Amendments and Interpretations	Effective date per IASB
IFRS 9 *Financial Instruments*	January 1, 2018

(Continued)

New standards, Amendments and Interpretations	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
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Acquisitions of Interests in a Joint Operation*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
Amendments to IAS 1 *Disclosure Initiative*	January 1, 2016
Amendments to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

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

(Continued)

4. Summary of Significant Accounting Policies

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

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

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

(c) The 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. All financial information presented in TWD has been rounded to the nearest thousand.

(Continued)

(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

			Percentage of Ownership at	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2015**	**December 31, 2014**
the Company	ANC Holding Corp. (ANCH)	Sales and trading of wireless communication products and electronic components	100%	100%
the Company	NeWeb Holding Corp. (NEWH)	Investment holding company	100%	100%
the Company	WNC Holding Corp. (WNCH)	Investment holding company	100%	100%
the Company	W-NeWeb Corp. (NUSA)	Sales of satellite communication and portable communication products	100%	100%
the Company	WNC GmbH (NDE)	Services for wireless communication products	100%	100%
the Company	WNC UK Limited (NUK)	Services for wireless communication products	100%	100%
the Company	WNC JAPAN Inc. (NJP)	Services for wireless communication products	100%	Note
NEWH	WNC (Kunshan) Corp. (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Co., Ltd. (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%

(Continued)

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2015	Percentage of Ownership at December 31, 2014
NEWH	Wistron NeWeb (Kunshan) Corp. (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Service (Kunshan) Corp. (NQC)	Repair and maintenance services for satellite communication and portable communication products	100%	100%

Note: The Company invested in NJP in January 2015, and it has been included in the consolidated financial statements since then.

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

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the 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.

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

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

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.

(Continued)

(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.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

(Continued)

A. Financial assets

(a) Available-for-sale financial assets

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

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

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

(b) Receivables

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

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

(c) Impairment of financial assets

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

(Continued)

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

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

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

Impairment losses on available-for-sale financial assets are recognized by reclassifying 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.

(Continued)

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

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

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

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

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

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

(b) Other financial liabilities

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

(c) Derecognition of financial liabilities

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

(d) Offsetting of financial assets and liabilities

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

(Continued)

C. Derivative financial instruments

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

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. 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) Investment in associates

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

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

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

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

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

(Continued)

(10) Investment property

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

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

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

(11) Property, plant and equipment

A. Recognition and measurement

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

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

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

(Continued)

B. Subsequent cost

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

C. Depreciation

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

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

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

(a) Buildings: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

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

(d) Other equipment: 3 to 5 years

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

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

(Continued)

(12) Leases

A. Lessor

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

B. Lessee

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

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

(13) Intangible assets

A. Research and development

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

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

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

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

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

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

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

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

(Continued)

B. Other intangible assets

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

C. Subsequent expenditure

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

D. Amortization

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

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

(14) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and when there is an indication of impairment exist, the Group estimates its recoverable amount.

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

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

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

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

(Continued)

(15) Provisions

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

A. Warranties

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

B. Allowance and related provisions for sales returns

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

(16) Revenue recognition

A. Goods sold

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

B. Service

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

(17) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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and that are denominated in the same currency in which the benefits are expected to be paid.

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

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

Remeasurements of the net defined benefit liability, which comprise (1) actuarial gains and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Company recognized them under retained earnings.

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

C. Short-term employee benefits

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

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

(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.

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

(19) Income tax

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

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

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

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

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

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

(a) levied by the same taxing authority; or

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

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

(Continued)

(20) Earnings per share

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

(21) Operating segment information

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

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

The preparation of the consolidated financial statements in conformity with the 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) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of future demand within a specific time horizon. However, due the rapid industrial transformation, the above estimation could have a significant change.

(Continued)

(2) Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgments and estimates, including the future revenue growth and profitability, the amount of tax credits that can be utilized and the feasible tax planning strategies. Any changes in the economic environment, the industry trends, and relevant laws could result in significant adjustments to the deferred tax assets.

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

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

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

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

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

When there is a transfer between levels of the fair value hierarchy, the Group recognizes the transfer at the reporting date. For the assumption used in fair value measurement, please refer to note 6(20) of the financial instruments.

6. Description of Significant Accounts

(1) Cash and cash equivalents

		December 31,	
		2015	**2014**
Cash, cash in bank and checking deposits	$	1,807,815	1,816,613
Time deposits		1,410,919	2,413,534
	$	**3,218,734**	**4,230,147**

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

(Continued)

(2) Financial assets

A. Details were as follows:

		December 31,	
		2015	**2014**
(a) Available-for-sale financial assets－current:			
Beneficiary certificates－mutual funds	$	739,716	1,219,611

		December 31,	
		2015	**2014**
(b) Financial assets carried at cost－non-current:			
Domestic unlisted common stocks－			
First International Telecom, Inc.	$	-	-
Foreign unlisted common stocks－			
GreenWave Holdings Inc.		56,195	48,482
NeWave Sensor Solutions LLC		31,450	31,450
Bretelon, Inc.		-	46,096
Foreign unlisted preferred stocks－			
EL Preferred Holdings, Inc.		22,691	-
Foreign unlisted convertible note－			
Eyelock, Inc.		-	45,036
	$	110,336	171,064

The Group evaluated the investment value of First International Telecom, Inc., and recorded an impairment loss of $29,700 in the prior year. In addition, First International Telecom, Inc., declared bankruptcy in January 2015, as the investment costs were recorded in impairment loss before, and the Group has obtained legal documents, the investment was derecognized.

(c) Notes receivable

		December 31,	
		2015	**2014**
Notes receivable from operating activities	$	322,707	172,180

(Continued)

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

		December 31, 2015	December 31, 2014
Current:			
Accounts receivable	$	9,360,380	7,411,939
Other receivables (recorded in other financial assets－current)		102,547	39,860
Less: allowance for doubtful accounts		(61,903)	(226,583)
	$	9,401,024	7,225,216
Non-current:			
Overdue receivable	$	176,264	39,976
Less: allowance for doubtful accounts		(176,264)	(39,976)
Overdue receivable, net (recorded in other non-current assets)	$	-	-

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

	December 31, 2015		December 31, 2014	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 9,038,337	-	6,684,897	71
Past due 0~60 days	571,711	302	819,031	7,022
Past due 61~90 days	57,703	-	24,346	-
Past due 91~180 days	104,436	2,831	63,407	34,081
Past due more than 181 days	328,539	235,034	225,385	225,385
	$10,100,726	238,167	7,817,066	266,559

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

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

(Continued)

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2014	$ 217,204	-	217,204
Impairment loss recognized	46,325	3,030	49,355
Balance as of December 31, 2014	**$ 263,529**	**3,030**	**266,559**

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

B. Sensitivity analysis

If there had been an increase or decrease in the fair value of beneficiary certificates of 1% on the reporting date, after-tax, other comprehensive income would have increased (or decreased) by $7,397 and by $12,196 for the years ended December 31, 2015 and 2014, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

C. Derivative instruments not used for hedging

The Company uses derivative instruments to hedge certain currency risk the Company is exposed to arising from its operating, financing and investing activities. The Company held the following derivative instruments not used for hedging and presented them as financial assets (liabilities) at fair value through profit or loss as of December 31, 2015 and 2014:

Unit: foreign currency thousand

	December 31, 2015			December 31, 2014		
	Contract amount	**Currency**	**Maturity date**	**Contract amount**	**Currency**	**Maturity date**
Sell－forward foreign currency exchange contracts	USD 2,000	Sell USD/ Buy TWD	January 11, 2016~January 15, 2016	USD 2,000	Sell USD/ Buy TWD	January 9, 2015

As of December 31, 2015 and 2014, the carrying amounts of related derivative financial assets (liabilities) were $172 and $(870), respectively.

(Continued)

(3) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 2,212,463	2,004,656
Work in process and semi-finished products	629,433	506,212
Finished goods	3,746,625	1,957,068
	$ 6,588,521	4,467,936

The details of operating costs were as follows:

	For the years ended December 31, 2015	For the years ended December 31, 2014
Cost of goods sold	$ 45,231,238	34,866,923
Inventory devaluation loss	56,810	64,754
Revenue from sale of scrap	(34,916)	(24,438)
Physical inventory gain	(813)	(575)
	$ 45,252,319	34,906,664

(4) Investments accounted for using equity method

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

	December 31, 2015	December 31, 2014
Aggregate information of associates that are not individually material	$ 151,148	138,828

Shares attributable to the Group were as follows:

	For the years ended December 31, 2015	For the years ended December 31, 2014
Net income	$ 17,717	10,520
Other comprehensive income	-	-
Total comprehensive income	$ 17,717	10,520

(Continued)

(5) Property, plant and equipment

	Building	Machinery and equipment	Research and development equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance as of January 1, 2015	$ 3,973,269	4,876,018	656,788	771,307	453,273	10,730,655
Additions	33,937	462,192	55,917	275,117	1,464,493	2,291,656
Disposals and obsolescence	(15,573)	(233,296)	(2,383)	(31,216)	-	(282,468)
Reclassification	480,028	709,549	14,708	58,700	(1,253,959)	9,026
Effect of exchange rate changes	(11,027)	(15,934)	(225)	(2,096)	6,850	(22,432)
Balance as of December 31, 2015	**$ 4,460,634**	**5,798,529**	**724,805**	**1,071,812**	**670,657**	**12,726,437**
Balance as of January 1, 2014	$ 3,510,908	4,323,538	613,290	638,987	118,695	9,205,418
Additions	21,806	277,038	36,615	102,652	695,392	1,133,503
Disposals and obsolescence	-	(141,814)	(2,663)	(10,978)	-	(155,455)
Reclassification	375,198	302,032	7,968	21,749	(370,138)	336,809
Effect of exchange rate changes	65,357	115,224	1,578	18,897	9,324	210,380
Balance as of December 31, 2014	**$ 3,973,269**	**4,876,018**	**656,788**	**771,307**	**453,273**	**10,730,655**
Accumulated depreciation:						
Balance as of January 1, 2015	$ 1,257,986	3,214,626	498,971	526,432	-	5,498,015
Depreciation for the period	200,695	691,371	72,402	138,900	-	1,103,368
Disposals and obsolescence	(15,573)	(211,499)	(2,383)	(30,895)	-	(260,350)
Effect of exchange rate changes	(3,075)	(8,183)	(114)	(1,407)	-	(12,779)
Balance as of December 31, 2015	**$ 1,440,033**	**3,686,315**	**568,876**	**633,030**	**-**	**6,328,254**
Balance as of January 1, 2014	$ 945,218	2,721,419	436,517	432,604	-	4,535,758
Depreciation for the period	202,812	561,224	64,065	92,024	-	920,125
Disposals and obsolescence	-	(141,736)	(2,663)	(10,468)	-	(154,867)
Reclassification	85,697	-	-	-	-	85,697
Effect of exchange rate changes	24,259	73,719	1,052	12,272	-	111,302
Balance as of December 31, 2014	**$ 1,257,986**	**3,214,626**	**498,971**	**526,432**	**-**	**5,498,015**
Book value:						
Balance as of December 31, 2015	**$ 3,020,601**	**2,112,214**	**155,929**	**438,782**	**670,657**	**6,398,183**
Balance as of December 31, 2014	**$ 2,715,283**	**1,661,392**	**157,817**	**244,875**	**453,273**	**5,232,640**

The Company acquired the building from AU Optronics Corporation amounting to $810,000. As of December 31, 2015, the Company had incurred the amount of $405,000.

The Group entered into a construction contract with South Jiangsu Construction Group Co., Ltd., Kushan Michisuke Electrical Engineering Co., Ltd., Kunshan Sunyoung Trading Co., Ltd., and others for the expansion of a building amounting to $429,390 in the year ended December 31, 2015. As of December 31, 2015, the Group had incurred the amount of $360,165.

(Continued)

(6) Investment property

	Building
Cost:	
Balance as of January 1, 2015 (same as balance as of December 31, 2015)	$ -
Balance as of January 1, 2014	$ 359,583
Reclassification	(359,583)
Balance as of December 31, 2014	$ -
Accumulated depreciation:	
Balance as of January 1, 2015 (same as balance as of December 31, 2015)	$ -
Balance as of January 1, 2014	$ 85,105
Depreciation for the period	592
Reclassification	(85,697)
Balance as of December 31, 2014	$ -
Book value:	
Balance as of December 31, 2015	$ -
Balance as of December 31, 2014	$ -

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

(7) Intangible assets

	Software	Royalty	Total
Cost:			
Balance as of January 1, 2015	$ 144,952	48,874	193,826
Additions	52,424	7,307	59,731
Write-off	(29,424)	(35,908)	(65,332)
Effect of exchange rate changes	9	-	9
Balance as of December 31, 2015	**$ 167,961**	**20,273**	**188,234**
Balance as of January 1, 2014	$ 132,021	63,868	195,889
Additions	64,993	12,965	77,958
Write-off	(52,280)	(27,959)	(80,239)
Effect of exchange rate changes	218	-	218
Balance as of December 31, 2014	**$ 144,952**	**48,874**	**193,826**

(Continued)

		Software	Royalty	Total
Amortization:				
Balance as of January 1, 2015	$	87,504	46,640	134,144
Amortization for the period		57,313	5,347	62,660
Write-off		(29,424)	(35,908)	(65,332)
Effect of exchange rate changes		(11)	-	(11)
Balance as of December 31, 2015	$	115,382	16,079	131,461
Balance as of January 1, 2014	$	85,785	53,246	139,031
Amortization for the period		53,787	21,353	75,140
Write-off		(52,280)	(27,959)	(80,239)
Effect of exchange rate changes		212	-	212
Balance as of December 31, 2014	$	87,504	46,640	134,144
Book value:				
Balance as of December 31, 2015	$	52,579	4,194	56,773
Balance as of December 31, 2014	$	57,448	2,234	59,682

(8) Short-term borrowings

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

	December 31, 2014				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	0.950%~1.960%	2015	$	2,024,739

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

(9) Provisions

		Warranties	Allowance for sales returns and discounts	Total
Balance as of January 1, 2015	$	90,136	30,064	120,200
Provisions made for the period		128,852	33,770	162,622
Provisions utilized during the period		(42,916)	(8,580)	(51,496)
Balance as of December 31, 2015	$	176,072	55,254	231,326

(Continued)

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

(10) Bonds payable

	December 31, 2015	December 31, 2014
Convertible bonds payable	$ -	1,500,000
Repayment	-	(1,500,000)
Book value	**$ -**	**-**
Equity element – conversion options (recorded in capital surplus – share options)	**$ 74,160**	**74,160**

The significant terms of the unsecured convertible bonds payable of the Company are summarized as follows:

A. The 1st unsecured convertible bonds issued in June 2011.

Par value: $1,500,000

Maturity date: June 2014

Coupon rate: 0%

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

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

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

(Continued)

B. The 2nd unsecured convertible bonds issued in January 2016.

Par value:	$1,500,000
Maturity date:	January 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 three 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.
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.

(11) Operating lease

A. Lessee

For the years ended December 31, 2015 and 2014, $13,569 and $13,568, respectively, were recognized as expenses in profit or loss in respect of operating leases.

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

B. Lessor

The Group leased out an investment property under an operating lease; please refer to note 6(6).

For the year ended December 31, 2014, the Group recognized rental revenue on its investment property of $1,134; the depreciation of the investment property amounted to $592, and they were recognized as non-operating income and expenses.

(12) Employee benefit

A. Defined benefit plans

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

	December 31,

(Continued)

		2015	2014
Present value of the defined benefit obligation	$	242,377	166,809
Fair value of plan assets		(156,900)	(145,682)
Net defined benefit liabilities	**$**	**85,477**	**21,127**

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 $156,900 as of December 31, 2015. 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 were as follows:

		For the years ended December 31,	
		2015	**2014**
Defined benefit obligation as of January 1	$	166,809	157,548
Current service costs and interest		4,531	4,388
Remeasurements of the net defined benefit liabilities			
Actuarial loss (gain) arising from experience adjustments		34,907	5,913
Actuarial loss (gain) arising from changes in financial assumptions		36,130	-
Benefits paid from the plan assets		-	(1,040)
Defined benefit obligation as of December 31	**$**	**242,377**	**166,809**

(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 were as follows:

		For the years ended December 31,	
		2015	**2014**
Fair value of plan assets as of January 1	$	145,682	136,263
Interest income		2,966	2,798
Remeasurements of the net defined benefit liabilities			
Return on plan assets (excluding current interest)		910	418
Contributions made		7,342	7,243
Benefits paid from the plan assets		-	(1,040)
Fair value of plan assets as of December 31	**$**	**156,900**	**145,682**

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2015 and 2014, were as follows:

		For the years ended December 31,	
		2015	**2014**
Current service costs	$	1,215	1,237
Net interest on the net defined benefit liabilities		350	353
	$	**1,565**	**1,590**

(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, 2015 and 2014 were as follows:

		For the years ended December 31,	
		2015	**2014**
Cumulative amount as of January 1	$	(68,295)	(62,800)
Recognized for the period		(70,127)	(5,495)
Cumulative amount as of December 31	**$**	**(138,422)**	**(68,295)**

(Continued)

(f) Actuarial assumptions

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

	December 31, 2015	December 31, 2014
Discount rate	1.875%	2.00%
Future salary increase rate	4.00%	3.00%

The Company expects to make a contribution of $7,370 to its defined benefit plans in the following year, beginning December 31, 2015.

The weighted-average duration of the defined benefit obligation is 17.84 years.

(g) Sensitivity analysis

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

If there is a change in the actuarial assumptions as of the December 31, 2015, 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	$ (8,744)	9,206
Future salary increase rate	$ 8,873	(8,544)

Reasonably possible changes to one of the relevant actuarial assumptions on December 31, 2015, 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. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations. The pension costs of the Group's overseas subsidiaries under their respective defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution plan were $188,707 and $136,112 for the years ended December 31, 2015 and 2014, respectively.

(13) Income tax

A. Income tax expenses

The amount of income tax expenses for the years ended December 31, 2015 and 2014, was as follows:

		For the years ended December 31, 2015	For the years ended December 31, 2014
Current income tax expense			
Current period	$	592,977	363,343
10% surtax on unappropriated retained earnings		28,077	33,228
Adjustment for prior period		17,011	(4,504)
		638,065	392,067
Deferred income tax expense			
Origination and reversal of temporary differences		(60,942)	11,734
Income tax expenses	$	577,123	403,801

The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2015 and 2014, was as follows:

		For the years ended December 31, 2015	For the years ended December 31, 2014
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit plans	$	**11,922**	**934**
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign financial statements	$	**992**	**(32,225)**

(Continued)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2015 and 2014 was as follows:

	For the years ended December 31, 2015	For the years ended December 31, 2014
Income before income tax	$ 2,549,631	1,780,189
Income tax at the Company's domestic tax rate	$ 433,437	302,632
Effect of difference tax rates in foreign jurisdictions	76,712	82,289
Non-deductible expenses	47,645	17,588
Tax-exempt income	(25,759)	(27,432)
10% surtax on unappropriated retained earnings	28,077	33,228
Under (over)-provision in prior periods and others	17,011	(4,504)
Total	$ 577,123	403,801

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

Deferred tax assets:

	Defined benefit plans	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Unrealized (profit) loss from sales	Unrealized foreign exchange loss (gain)	Others	Total
Balance as of January 1, 2015	$ 11,610	32,218	19,002	21,674	-	78,616	163,120
Recognized in profit or loss	-	(11,860)	(1,693)	60,552	4,286	67,970	119,255
Recognized in other comprehensive income	11,922	-	-	-	-	-	11,922
Balance as of December 31, 2015	$ 23,532	20,358	17,309	82,226	4,286	146,586	294,297
Balance as of January 1, 2014	$ 10,676	26,634	15,088	32,568	-	50,837	135,803
Recognized in profit or loss	-	5,584	3,914	(10,894)	-	27,779	26,383
Recognized in other comprehensive income	934	-	-	-	-	-	934
Balance as of December 31, 2014	$ 11,610	32,218	19,002	21,674	-	78,616	163,120

(Continued)

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized foreign exchange loss (gain)	Others	Total
Balance as of January 1, 2015	$ (376,722)	(80,445)	(520)	-	(457,687)
Recognized in profit or loss	(58,803)	-	520	(30)	(58,313)
Recognized in other comprehensive income	-	992	-	-	992
Balance as of December 31, 2015	$ (435,525)	(79,453)	-	(30)	(515,008)
Balance as of January 1, 2014	$ (334,769)	(48,220)	(4,351)	(5)	(387,345)
Recognized in profit or loss	(41,953)	-	3,831	5	(38,117)
Recognized in other comprehensive income	-	(32,225)	-	-	(32,225)
Balance as of December 31, 2014	$ (376,722)	(80,445)	(520)	-	(457,687)

C. The Company's tax returns have been examined by the tax authorities through 2012.

D. Integrated income tax information:

	December 31, 2015	December 31, 2014
Unappropriated earnings of 1998 and after	$ 4,973,487	4,150,237
Balance of deductible tax account	$ 698,712	618,362

	For the years ended December 31, 2015 (estimated)	For the years ended December 31, 2014 (actual)
Tax deduction ratio for earnings distribution to R.O.C. residents	20.48%	18.62%

The information related to the unappropriated retained earnings and tax deduction ratio shown in the tables above is prepared in accordance with ruling letter No. 10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013. Effective January 1, 2015, the tax deduction ratio for individual shareholder residing in the R.O.C. will be reduced by half for dividend distribution according to the revised Article 66-6 of the Income Tax Act.

(Continued)

(14) Capital and other equity interest

A. Ordinary share capital

As of December 31, 2015 and 2014, 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 $3,353,187 and $3,287,634, respectively.

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

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

B. Capital surplus

		December 31,	
		2015	**2014**
Capital surplus－premium	$	2,005,029	2,005,029
Treasury stock sold to employees		100,454	100,454
Conversion options of bonds		74,160	74,160
Restricted stock awards		153,554	153,354
Capital surplus from merger		36,653	36,653
	$	2,369,850	2,369,650

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.

(Continued)

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to $136,043. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $108,123 as of December 31, 2015 and 2014.

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

(c) Earnings distribution

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

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

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

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

(Continued)

According to the Company Act which was amended in May 2015, the remunerations to employees and directors were no longer the allotments for earnings distribution. The Company will amend the Company's Articles of Incorporation before the deadline which was set by the authorities.

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

The following are the appropriation of earnings in 2014 and 2013 which were approved during the shareholders' meeting held on June 10, 2015 and June 6, 2014, respectively:

	For the years ended December 31,			
	2014		2013	
	Amount per share (TWD)	Total amount	Amount per share (TWD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	$2.7000	887,661	3.0002	965,304
Shares	0.2000	65,753	0.2000	64,354
		$ 953,414		1,029,658
Employees' bonuses－cash		$ 184,910		204,975
Directors' remuneration		12,387		13,665
		$ 197,297		218,640

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

For the year ended December 31, 2015, the appropriation of retained earnings will be presented for resolution in the Board of Directors' meeting on March 16, 2016 and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website after the resolution meetings.

(Continued)

(15) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2015, is as follows:

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

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

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

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

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

(Continued)

C. Restricted stock awards

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

For the year ended December 31, 2013, the Company issued the restricted stock awards of 7,110 thousand shares to its employees, which resulted in a capital surplus － restricted employee stock awards of $130,276. For the years ended December 31, 2015 and 2014, 20 thousand shares and 225 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $200 and $2,250, respectively. Also, for the year ended December 31, 2014, the Company issued the restricted shares stock of 390 thousand shares to its employees, which resulted in a capital surplus － restricted employee shares of stock of $13,399. As of December 31, 2015 and 2014, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $51,485 and $190,077, respectively. Such deferred amount was recorded as deduction of other equity.

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

D. Employee share options:

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

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

	For the year ended December 31 2014 Weighted average exercise price (TWD)	Number of options
Outstanding as of January 1	$ 33.40	585
Options exercised	32.23	(528)
Options forfeited (expired)	31.50	(57)
Outstanding as of December 31	**31.50**	**-**
Exercisable as of December 31	**31.50**	**-**

(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, 2015	2014
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,972,508	1,376,388
Weighted-average number of ordinary shares (in thousands)	330,627	321,517
Basic earnings per share (TWD)	$ 5.97	4.28
Basic earnings per share－retroactively adjusted (TWD)		$ 4.20
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,972,508	1,376,388
Interest expense on convertible bonds, net of tax	-	10,285
Net income attributable to ordinary shareholders of the Company (diluted)	$ 1,972,508	1,386,673

(Continued)

	For the years ended December 31, 2015	For the years ended December 31, 2014
Weighted-average number of ordinary shares (in thousands) (basic)	330,627	321,517
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee bonuses and remuneration	4,199	4,224
Effect of share options	-	181
Effect of unvested restricted stock awards	4,136	4,794
Effect of conversion of convertible bonds	-	7,041
Weighted-average number of ordinary shares (in thousands) (diluted)	338,962	337,757
Diluted earnings per share (TWD)	$ 5.82	4.11
Diluted earnings per share－retroactively adjusted (TWD)		$ 4.03

(17) Operating revenues

	For the years ended December 31, 2015	For the years ended December 31, 2014
Wireless communication products	$ 50,493,654	38,993,587
Others	1,689,564	1,333,331
	$ 52,183,218	40,326,918

(18) Remuneration to employees and directors

According to the Company's Articles of incorporation which approved by the Board of Directors but not yet approve by the annual shareholders' meeting, annual before tax earnings if any, should allocate more than 5% and less than 1% as the remuneration to employees and directors respectively. However if the Company have cumulative deficit, the annual earnings should be reserved to offset the cumulative deficit.

The remunerations to employees and directors amounted to $268,971 and $19,212, respectively, for the year ended December 31, 2015. 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 proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses in 2015. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in 2016.

(Continued)

(19) Non-operating income and expenses

A. Other income

		For the years ended December 31, 2015	2014
Interest income	$	21,732	35,198
Rent income		4,634	4,648
Reversal of doubtful accounts recorded in other income		37,367	-
Others		44,371	33,901
	$	**108,104**	**73,747**

B. Other gains and losses

		For the years ended December 31, 2015	2014
Foreign exchange gains, net	$	131,666	19,720
Gain (loss) on disposal of investment, net:			
Gain on disposal of available-for-sale financial assets		7,977	17,475
Loss on disposal of financial assets carried at cost		(24,020)	-
Gain (loss) on disposal of property, plant and equipment		(12,756)	581
Net gain (loss) on financial assets and liabilities at fair value through profit or loss		1,042	(396)
	$	**103,909**	**37,380**

C. Finance costs

		For the years ended December 31, 2015	2014
Interest expense－bonds payable	$	-	12,392
Interest expense－short-term borrowings		27,633	37,693
Interest expense－lease obligations payable		165	-
	$	**27,798**	**50,085**

(Continued)

(20) Financial instruments

A. Credit risk

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

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

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2015					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,965,640	1,967,139	1,967,139	-	-
Unsecured variable-rate bank loans	102,240	102,294	102,294	-	-
	$ 2,067,880	2,069,433	2,069,433	-	-
December 31, 2014					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,136,635	1,138,192	1,138,192	-	-
Unsecured variable-rate bank loans	888,104	889,571	889,571	-	-
Derivative financial liabilities					
Financial liabilities at fair value through profit or loss－current	870	870	870	-	-
	$ 2,025,609	2,028,633	2,028,633	-	-

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

(Continued)

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

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

(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, available-for-sale financial assets – current, short-term borrowings, notes and accounts payable (including related parties), and other accrued expenses that are denominated in foreign currency. A fluctuation in the TWD/USD exchange rate on the reporting date, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2015 and 2014, as illustrated below:

		For the years ended December 31,	
	Range of the fluctuations	**2015**	**2014**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ (74,283)	(70,767)
	Appreciation of TWD 1 against the USD	$ 74,283	70,767

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

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains (losses) on monetary items amounting to $131,666 and $19,720 for the years ended December 2015 and 2014, 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, 2015 and 2014, as illustrated below:

		For the years ended December 31,	
	Range of fluctuations	**2015**	**2014**
Annual interest rate	Increase of 1%	$ (849)	(7,371)
	Decrease of 1%	$ 849	7,371

(Continued)

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

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

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

(Continued)

	December 31, 2014				
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Beneficiary certificates – mutual funds	**$ 1,219,611**	**1,219,611**	**-**	**-**	**1,219,611**
Loans and receivables					
Cash and cash equivalents	$ 4,230,147	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	7,510,647	-	-	-	-
Other financial assets – current	57,669	-	-	-	-
Refundable deposits	12,069	-	-	-	-
	$ 11,810,532	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss					
Held for trading financial instruments – foreign currency forward contracts	**$ 870**	**-**	**870**	**-**	**870**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,024,739	-	-	-	-
Notes and accounts payable (including related parties)	7,569,006	-	-	-	-
	$ 9,593,745	**-**	**-**	**-**	**-**

(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 theses prices are available in active markets. When market value is unavailable, the fair value of financial liabilities are evaluated based on the discounted cash flow of the financial liabilities.

(Continued)

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

(i) Non derivative financial instruments

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

(ii) Derivative financial instruments

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

There is no transfer between the levels for the years ended December 31, 2015 and 2014.

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

The Group continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Group performs a periodic evaluation on its uncollected accounts receivable. Before delivery it also needs to assess the creditworthy of the customers. For the years ended December 31, 2015 and 2014, the biggest customers were A, 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 receivables. The Group evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

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

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

D. Liquidity risk

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

E. Market risk

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

(Continued)

(a) Interest rate risk

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

(b) Currency risk

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

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

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

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

(c) Other market price risks

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

(22) Capital management

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

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

(Continued)

There were no changes in the Group's approach to capital management during the year ended December 31, 2015.

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

	December 31, 2015	December 31, 2014
Total liabilities	$ 15,463,541	12,593,937
Less: cash and cash equivalents	(3,218,734)	(4,230,147)
Net debt	$ 12,244,807	8,363,790
Total equity	$ 12,392,459	11,235,498
Debt-to-adjusted-capital ratio	98.81%	74.44%

As of December 31, 2015, the debt-to-adjusted-capital ratio increase due to the Group's acquisition of the building resulted in a decrease in cash and cash equivalents and an increase in short-term borrowings and related liabilities.

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Significant related-party transactions

A. Operating revenue

Related Party Category	For the years ended December 31, 2015	For the years ended December 31, 2014
Entities with significant influence over the Group	$ 458,008	514,375
Associate	4,882	2,443
	$ 462,890	516,818

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

(Continued)

B. Purchases

Related Party Category		For the years ended December 31, 2015	2014
Associate	$	557,884	488,465
Entities with significant influence over the Group		1,645	71
	$	**559,529**	**488,536**

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

C. Accounts receivable from related parties

Related Party Category		December 31, 2015	2014
Entities with significant influence over the Group	$	138,794	150,949
Associate		34	2,162
	$	**138,828**	**153,111**

D. Accounts payable to related parties

Related Party Category		December 31, 2015	2014
Associate	$	102,258	83,670
Entities with significant influence over the Group		981	-
		103,239	**83,670**

E. Prepayments to related parties

The details of prepayments to related parties were as follows:

Related Party Category		December 31, 2015	2014
Entities with significant influence over the Group	$	**279**	**-**

(Continued)

F. Transactions of property, plant and equipment

(a) Acquisition of property, plant and equipment

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

Related Party Category		For the years ended December 31, 2015	2014
Associate	$	22,973	24,226
Entities with significant influence over the Group		-	3,192
	$	22,973	27,418

Related Party Category		December 31, 2015	2014
Associate	$	2,660	8,157
Entities with significant influence over the Group		-	3,202
	$	2,660	11,359

(b) Disposal of property, plant and equipment

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

Related Party Category		For the years ended December 31, 2015	2014
Associate	$	3	354

As of December 31, 2015 and 2014, receivables resulting from the above transactions had been settled.

(Continued)

G. Other transactions

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

Related Party Category		For the years ended December 31, 2015	2014
Entities with significant influence over the Group	$	71,508	18,473
Associate		3,211	2,801
	$	**74,719**	**21,274**

Related Party Category		December 31, 2015	2014
Entities with significant influence over the Group	$	7,133	2,040
Associate		466	399
	$	**7,599**	**2,439**

(3) Transactions with key management personnel

Key management personnel compensation comprised:

		For the years ended December 31, 2015	2014
Short-term employee benefits	$	116,688	72,907
Post-employment benefits		1,087	694
Share-based payment		46,858	42,276
	$	**164,633**	**115,877**

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

8. Pledged Assets: None.

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

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

(Continued)

12. Other

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

By function / By item	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Classified as Operating Costs	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Employee benefits						
Salary	2,747,001	2,471,918	5,218,919	2,283,453	1,969,211	4,252,664
Labor and health insurance	108,673	130,263	238,936	75,844	117,400	193,244
Pension	112,132	78,140	190,272	68,403	69,299	137,702
Others	118,661	82,817	201,478	96,831	71,397	168,228
Depreciation (Note)	815,175	288,193	1,103,368	678,780	241,345	920,125
Amortization	6,089	56,571	62,660	6,018	69,122	75,140

Note: Depreciation of investment property for the year ended December 31, 2014, amounted to $592, which was deducted from other income.

13. Segment Information

(1) General information

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

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

(Continued)

(2) Products and services information

Revenues of the Group from external customers:

	For the years ended December 31, 2015	2014
Wireless communication products	$ 50,493,654	38,993,587
Others	1,689,564	1,333,331
	$ 52,183,218	**40,326,918**

(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, 2015	2014
Revenues from external customers:		
Americas	$ 28,382,614	18,708,940
Asia	16,956,663	16,019,933
Europe	6,728,575	5,418,303
Others	115,366	179,742
	$ 52,183,218	**40,326,918**

	December 31, 2015	2014
Non-current assets		
Americas	$ 2,301	3,292
Asia	6,667,298	5,519,454
	$ 6,669,599	**5,522,746**

(4) Major customer information

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

	For the years ended December 31, 2015		2014	
	Amount	**% of net sales**	**Amount**	**% of net sales**
Customer A	$ 6,404,227	12	6,067,929	15
Customer B	5,951,478	11	516,621	1
	$ 12,355,705	**23**	**6,584,550**	**16**

(Continued)

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 United States dollars solely for the convenience of the readers, using the rate of TWD 33.066 to USD 1. The convenience translations should not be construed as representations that the TWD amounts have been, could have been, or could in the future be, converted into USD at this rate or any other rate of exchange.

(Continued)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2015 and 2014
(expressed in thousands of United States dollars)

		December 31, 2015		December 31, 2014	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents	$	97,343	12	127,930	18
Financial assets at fair value through profit or loss－current		5	-	-	-
Available-for-sale financial assets－current		22,371	3	36,884	5
Notes receivable		9,759	1	5,207	1
Accounts receivable, net		281,210	33	217,305	30
Accounts receivable from related parties		4,198	-	4,630	1
Inventories, net		199,254	24	135,122	19
Other financial assets－current		3,575	-	1,744	-
Other current assets		5,937	1	10,149	1
Total current assets		623,652	74	538,971	75
Non-current assets:					
Financial assets carried at cost－non-current		3,337	-	5,173	1
Investments accounted for using equity method		4,571	1	4,199	-
Property, plant and equipment		193,498	23	158,248	22
Intangible assets		1,717	-	1,805	-
Deferred tax assets		8,900	1	4,933	1
Refundable deposits		270	-	365	-
Other non-current assets		6,491	1	6,969	1
Total non-current assets		218,784	26	181,692	25
Total assets	**$**	**842,436**	**100**	**720,663**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2015 and 2014
(expressed in thousands of United States dollars)

		December 31, 2015		December 31, 2014	
Liabilities and Equity		**Amount**	**%**	**Amount**	**%**
Current liabilities:					
Short-term borrowings	$	62,538	8	61,233	9
Financial liabilities at fair value through profit or loss－current		-	-	26	-
Notes and accounts payable		277,638	33	225,959	31
Accounts payable to related parties		3,432	-	2,948	-
Salary and bonus payable		42,684	5	30,237	4
Other accrued expenses		31,396	4	24,021	3
Provisions－current		6,996	1	3,635	1
Other current liabilities		24,675	3	18,333	3
Total current liabilities		449,359	54	366,392	51
Non-current liabilities:					
Deferred tax liabilities		15,575	2	13,842	2
Net defined benefit liabilities－non-current		2,585	-	639	-
Other non-current liabilities		138	-	-	-
Total non-current liabilities		18,298	2	14,481	2
Total liabilities		467,657	56	380,873	53
Equity:					
Ordinary share capital		101,409	12	99,426	14
Capital surplus		71,670	8	71,664	10
Retained earnings		195,875	23	166,816	23
Other equity interest		5,825	1	1,884	-
Total equity		374,779	44	339,790	47
Total liabilities and equity	$	**842,436**	**100**	**720,663**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in thousands of United States dollars)

	For the years ended December 31,			
	2015		2014	
	Amount	%	Amount	%
Net operating revenues	$ 1,578,153	100	1,219,588	100
Operating costs	1,368,545	87	1,055,666	87
Gross profit	209,608	13	163,922	13
Operating expenses:				
Selling	49,005	3	38,098	3
General and administrative	27,762	1	24,344	2
Research and development	61,841	4	49,807	4
Total operating expenses	138,608	8	112,249	9
Net operating income	71,000	5	51,673	4
Non-operating income and expenses:				
Other income	3,269	-	2,230	-
Other gains and losses, net	3,143	-	1,130	-
Finance costs	(841)	-	(1,514)	-
Share of profit of associates accounted for using equity method	536	-	318	-
Total non-operating income and expenses	6,107	-	2,164	-
Income before income tax	77,107	5	53,837	4
Income tax expenses	17,453	1	12,212	1
Net income	**59,654**	**4**	**41,625**	**3**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the defined benefit plans	(2,121)	-	(166)	-
Income tax relating to items that will be not reclassified subsequently	360	-	29	-
Total items that will not be reclassified subsequently to profit or loss	(1,761)	-	(137)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(176)	-	5,733	1
Unrealized gains (losses) on available-for-sale financial assets	(104)	-	(246)	-
Income tax relating to items that may be reclassified subsequently	30	-	(975)	-
Total items that may be reclassified subsequently to profit or loss	(250)	-	4,512	1
Other comprehensive income	(2,011)	-	4,375	1
Total comprehensive income	**$ 57,643**	**4**	**46,000**	**4**
Earnings per share (USD)				
Basic earnings per share	**$ 0.18**		**0.13**	
Diluted earnings per share	**$ 0.18**		**0.12**	

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(expressed in thousands of United States dollars)

	Ordinary share capital	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Deferred compensation cost	Other equity interest: Total	Total equity
Balance as of January 1, 2014	$ 97,161	371	66,923	33,440	3,270	119,744	156,454	2,735	385	(5,800)	(2,680)	318,229
Net income for the period	-	-	-	-	-	41,625	41,625	-	-	-	-	41,625
Other comprehensive income for the period	-	-	-	-	-	(137)	(137)	4,758	(246)	-	4,512	4,375
Total comprehensive income for the period	-	-	-	-	-	41,488	41,488	4,758	(246)	-	4,512	46,000
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	4,592	-	(4,592)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(29,193)	(29,193)	-	-	-	-	(29,193)
Stock dividends distributed to shareholder	1,946	-	-	-	-	(1,946)	(1,946)	-	-	-	-	-
Exercise of employee share options	269	(371)	617	-	-	-	-	-	-	-	-	515
Issuance of restricted stock awards	118	-	405	-	-	-	-	-	-	(523)	(523)	-
Compensation cost of issued restricted stock awards	-	-	3,651	-	-	13	13	-	-	575	575	4,239
Expiration of restricted stock awards	(68)	-	68	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	99,426	-	71,664	38,032	3,270	125,514	166,816	7,493	139	(5,748)	1,884	339,790
Net income for the period	-	-	-	-	-	59,654	59,654	-	-	-	-	59,654
Other comprehensive income for the period	-	-	-	-	-	(1,761)	(1,761)	(146)	(104)	-	(250)	(2,011)
Total comprehensive income for the period	-	-	-	-	-	57,893	57,893	(146)	(104)	-	(250)	57,643
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	-	4,162	-	(4,162)	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	(26,845)	(26,845)	-	-	-	-	(26,845)
Stock dividends distributed to shareholder	1,989	-	-	-	-	(1,989)	(1,989)	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	4,191	4,191	4,191
Expiration of restricted stock awards	(6)	-	6	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2015	**$ 101,409**	**-**	**71,670**	**42,194**	**3,270**	**150,411**	**195,875**	**7,347**	**35**	**(1,557)**	**5,825**	**374,779**

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(expressed in thousands of United States dollars)

	For the years ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net income before tax	$ 77,107	53,837
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation (including depreciation of investment property)	33,368	27,845
Amortization	1,895	2,272
Provision for doubtful accounts, net	390	1,493
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(31)	12
Interest expense	841	1,514
Interest income	(657)	(1,064)
Compensation cost of issued restricted stock awards	4,191	4,239
Share of profit of associates accounted for using equity method	(536)	(318)
Loss (gain) on disposal of investment, net	485	(528)
Adjustment for other non-cash-related losses, net	694	830
Provision for inventory devaluation loss	1,718	1,958
Total adjustments to reconcile profit (loss)	42,358	38,253
Changes in operating assets and liabilities:		
Notes receivable	(4,552)	(1,448)
Accounts receivable	(64,295)	(60,425)
Accounts receivable from related parties	432	471
Inventories	(65,850)	(42,154)
Other operating assets	2,555	(7,708)
Notes and accounts payable	51,679	73,052
Accounts payable to related parties	484	(243)
Other operating liabilities	21,374	1,406
Total changes in operating assets and liabilities	(58,173)	(37,049)
Total adjustments	(15,815)	1,204
Cash flows generated from operations	61,292	55,041
Interest received	711	1,120
Interest paid	(880)	(1,138)
Income tax paid	(13,716)	(11,954)
Net cash flows generated from operating activities	47,407	43,069
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(57,824)	(47,511)
Proceeds from disposal of available-for-sale financial assets	72,474	85,330
Acquisition of financial assets carried at cost－non-current	(233)	(2,756)
Proceeds from capital return of financial assets carried at cost－non-current	676	-
Proceeds from disposal of financial assets carried at cost－non-current	668	-
Acquisition of property, plant and equipment	(67,024)	(33,286)
Proceeds from disposal of property, plant and equipment	283	35
Acquisition of intangible assets	(1,806)	(2,358)
Decrease (increase) in refundable deposits	95	(30)
Capital received from an associate	146	187
Net cash flows used in investing activities	(52,545)	(389)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	1,305	(6,853)
Repayments of bonds	-	(45,364)
Cash dividends paid	(26,845)	(29,193)
Exercise of employee share options	-	515
Net cash flows used in financing activities	(25,540)	(80,895)
Effect of exchange rate changes	91	2,589
Net decrease in cash and cash equivalents	(30,587)	(35,626)
Cash and cash equivalents at beginning of period	127,930	163,556
Cash and cash equivalents at end of period	$ 97,343	127,930

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

7.1 Financial Analysis (Consolidated)

7.1.1 Financial Analysis

Unit: Thousand NT$

Item	2015	2014	Increase/Decrease Amount	Change Percentage (%)
Current assets	20,621,683	17,821,608	2,800,075	15.71
Property, plant, and equipment	6,398,183	5,232,640	1,165,543	22.27
Intangible assets	56,773	59,682	(2,909)	(4.87)
Other assets	779,361	715,505	63,856	8.92
Total assets	27,856,000	23,829,435	4,026,565	16.90
Current liabilities	14,858,513	12,115,123	2,743,390	22.64
Other liabilities	605,028	478,814	126,214	26.36
Total liabilities	15,463,541	12,593,937	2,869,604	22.79
Common stock	3,353,187	3,287,634	65,553	1.99
Capital surplus	2,369,850	2,369,650	200	0.01
Retained earnings	6,476,812	5,515,923	960,889	17.42
Other equity	192,610	62,291	130,319	209.21
Stockholders’ equity	12,392,459	11,235,498	1,156,961	10.30

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

1. “Property, plant, and equipment” increased due to procurement of the plants for operational demands.
2. “Current liabilities” and “total liabilities” increased due to an increase of notes and accounts payable.
3. “Other liabilities” increased due to an increase of deferred taxes liabilities and accrued pension liabilities.
4. “Other equity” increased due to an increase of compensation costs of issued restricted stock awards.

7.2 Financial Performance Analysis (Consolidated)

7.2.1 Financial Performance Analysis

Unit: Thousand NT$

Item	2015	2014	Increased/ Decreased Amount	Change Percentage (%)
Net operating revenues	52,183,218	40,326,918	11,856,300	29.40
Operating costs	45,252,319	34,906,664	10,345,655	29.64
Gross profit	6,930,899	5,420,254	1,510,645	27.87
Operating expenses	4,583,200	3,711,627	871,573	23.48
Net operating income	2,347,699	1,708,627	639,072	37.40
Total non-operating income and expenses	201,932	71,562	130,370	182.18
Profit before tax	2,549,631	1,780,189	769,442	43.22
Taxes	577,123	403,801	173,322	42.92
Profit	1,972,508	1,376,388	596,120	43.31

Analysis of items whose increased/decreased amounts are above 20%:
The increase in total non-operating income and expenses is mainly due to recovery of the bad debt previously written off and the profits from currency exchange; other changes are due to an increase in revenue in 2015.

7.3 Cash Flow Analysis

7.3.1 Cash Flow Analysis for the Last Fiscal Year:

Unit: Thousand NT$

Cash at Beginning	Net Cash Flows from Operating Activities	Cash Flows from Investing and Financing Activities	Effect of Exchange Rate Changes	Cash at End	Contingency Plans for Insufficient Cash Position	
					Investing Activities	Financing Activities
4,230,147	1,567,575	(2,581,995)	3,007	3,218,734	-	-

1. Cash flow analysis:

   Operating activities: A positive cash flow of NT$1,568 million was mainly due to operating profit.
   Investing activities: A negative cash flow of NT$1,737 million was mainly due to the acquisition of real estate, plants, and fixed assets and disposition of open-ended funds.
   Financing activities: A negative cash flow of NT$845 million was mainly due to cash dividends.

2. Remedial Actions for Liquidity Shortfall: None

7.3.2 Cash Flows Projection for the Next Year: None

7.4 Effects of Significant Capital Expenditures on Financial Operations:

7.4.1 Significant Capital Expenditures and the Capital Sources

Unit: Thousand NT$

Project	Actual or Anticipated Capital Sources	Actual or Anticipated Completion Date	Total Costs	Contingency Plans for Insufficient Cash Position		
				2015	First Quarter of 2016	Second Quarter of 2016
Procurement of an office building for the plants and its interior decoration and renovation	Cash flow generated from operations	Second quarter of 2016	1,010,000 (estimated)	162,000	783,000	65,000

7.4.2 Effects of Significant Capital Expenditures on Financial Operations

Procurement of an office building for the plants and its interior decoration and renovation: Improve the utilization of spaces in the building for operational demands and reduce the rental costs.

7.5 Policy for Reinvestment

7.5.1 Investment Policies: None

7.6 Risk Management

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

Unit: Thousand NT$

Item	2015
Interest income	21,732
Interest expense	27,798
Exchange gain/(loss)	131,666

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

Approximately 93.13% of Wistron NeWeb Corporation's revenue from sales was quoted in U.S. dollars, and most of its material-purchasing amounts were also quoted in U.S. dollars. Therefore, the majority of Wistron NeWeb Corporation's currency exchange risk can be reduced and offset by regular import/export activities (natural hedge). The other small amounts of foreign currencies can be exchanged to NT dollars depending on capital needs or market situations.

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

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

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

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

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

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

7.6.3 R&D planning

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

High-speed server-level network switches
Biometric mobile-device modules

2. Investment
Wistron NeWeb Corporation will continue to invest in the equipment of the above-mentioned products and recruit outstanding R&D personnel for innovation and development in order to maintain a leading role in the technology and win market opportunities. In view of this, it is estimated that 4% of WNC's revenues will be invested in R&D in 2016.

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

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

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

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

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

Not applicable.

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

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

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

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

7.6.9 Supply and distribution concentration:

There is no concentration risk pertaining to suppliers and customers.

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

None

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

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

7.6.12 Where (1) Wistron NeWeb Corporation and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10%, and/or any company or

companies controlled by Wistron NeWeb Corporation are involved in litigious and non-litigious matters that have been concluded by means of a final and unappealable judgment or are still under litigation and (2) where such a dispute could materially affect shareholders' equity or the price of Wistron NeWeb Corporation's stock, the facts of the dispute, amount of money at stake in the dispute, the date of the litigation's commencement, the main parties in the dispute, and the status of the dispute as of the date of printing of this annual report:

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

In March 2015, Mondis Technology Ltd. began litigation against Wistron regarding a dispute over royalties payment of monitors in the United States District Court for the Southern District of New York. Wistron has appointed an attorney in the United Sates to handle the case and the results of the case have not yet been determined.

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

7.6.13 Other risks:

None

7.7 Other Important Matters

None

Wistron NeWeb Corp.