Stock Code: 6285

Wistron NeWeb Corporation

2012 Annual Report (Translation)

Publication Date: May 9, 2013

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

1. Name, Title and Contact Information for Company Spokesperson

Spokesperson:	Jona Song	Acting Spokesperson:	Jessy Tsai
Title:	Chief Finance Officer	Title:	Associate Director
E-mail:	spokesman@wnc.com.tw	E-mail:	spokesman@wnc.com.tw
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2. Address and Telephone Number of Company's Registered Office and Headquarters

Address:	20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan, R.O.C.
Tel:	+886-3-666-7799

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Address:	7F, No.122, Dunhua N. Road, Taipei, Taiwan, R.O.C.		
Tel:	+ 886-2-6600-7998	Website:	www.wnc.com.tw

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

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

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

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1. Letter to Shareholders

Dear Shareholders,

WNC would first like to thank all of its shareholders for their support and trust. In 2012, WNC was able to overcome cost pressures from climbing wage standards, Asian currency appreciation, and more competitors joining the market. Moreover, WNC has made substantial progress in the development of new technologies, new products and new markets. As for the financial performance, it has been maintained at a certain level due to the hard work and devotion of WNC employees.

Financial and Operational Results

In 2012, WNC revenue was NT$32.1 billion and gross profit was NT$3.81 billion. 2012 consolidated revenue reached NT$34.43 billion with an annual growth rate of 1.3%. Consolidated gross profit was NT$4.68 billion, and consolidated net profit was NT$1.1 billion. Basic earnings per share reached NT$3.72.

With regard to corporate operations as a whole, WNC has devoted efforts in the past few years to investing in new technologies, rolling out new products, developing new markets, and enhancing internal operational efficiency as well as meeting customer demands with high-quality products. WNC maintained comparable competitiveness and profitability while overcoming the cost pressures of climbing wage standards and Asian currency appreciation.

Research and Development Status

WNC focuses on rapid development and creative application of wireless communications products based on our integrated capabilities in wireless communication technologies. WNC co-develops key technologies with its major customers, and with its rich experience in working with global tier-1 vendors, WNC possesses excellent and flexible resource-integration capabilities.

Whether in the cross-technology or cross-field product design capabilities, we continuously improve our current products and develop new applications, new materials, as well as new manufacturing processes to broaden our product applications. We expect to improve everyone's daily life with more convenience under the prerequisite of bringing the least harm to nature and, at the same time, enhancing overall industry value.

In addition to developing new technology and new products, strategic patent layout, intellectual property protection, and putting it to productive use are also significant segments on which WNC places importance. As of the end of 2012, WNC has over 1,200 approved patents and patents pending. We hope that we will be able to steadily increase both the quantity and quality of the patents we hold, not only to enhance the value and capacity of research and development results, but also to continuously consolidate WNC's competiveness in the wireless communications industry.

WNC has been recognized once again in 2012 by our winning international and national awards. We received the Hsinchu Science Park R&D Accomplishment Award and the National Invention & Creation Awards from the Executive Yuan once again for our substantial research and development patents and also received the 2013 CES Innovations Design and Engineering Award for our innovative product design.

Operation and Management

Looking back on 2012, European and US finance and debt issues impacted consumer confidence, the growth strength of the BRICS is weakening, and the global economy is still facing severe challenges. However, with WNC's steady financial performance and rigorous risk management capability, we still have sufficient capability to face the unknown market challenges in this uncertain environment. In addition to continuously promoting global business, we will also continue to implement internal quality improvement activities and cost control strategies to enhance competitiveness and maintain steady business performance.

WNC values innovative breakthroughs in R&D techniques, and we value the continuous enhancement of sustainable operations capabilities even more. While WNC pursues business development, it also focuses on the protection of the environment in order to achieve its long-term sustainability goals. In recognition for our efforts, the Industrial Development Bureau, Ministry of Economic Affairs of Taiwan awarded WNC the Industrial Sustainable Excellence Award. WNC also seeks any chance for further enhancement and growth. It expects to provide more appropriate customer service, a more environmentally friendly green policy, more tolerant and diverse social care, as well as better employee care in order to fulfill our duties and responsibilities as a citizen enterprise.

WNC published its second Corporate Social Responsibility Report in June, 2012. The report covers WNC's financial performance, our commitment to environmental protection, and our social performance in 2011. Transparency in WNC's operational results extending beyond our financial figures will help all stakeholders understand more about WNC's corporate social responsibility strategy and the actions we take.

Future Outlook

Internet communication technology and market needs are changing every day. Besides connecting people with smart devices, automatic and smart connection/operation between devices or things is gradually developing into new business opportunities. Whether it is in the scenarios of mobile communication, home networking, enterprise business or industrial control, or in the energy, logistics, finance, retail, manufacturing or medical industries, all these applications will become more and more diverse and broadened. WNC's professional capabilities and experience in transmission and sensor technologies are expected to be able to develop products and services with both market value and practical value.

With our spirit of advocacy of fundamentals, we will continue to respond with integrity and a rigorous attitude to the competitive market and diverse needs of customers. Moreover, we will continuously provide products and services with good quality and efficiency as well as maintain steady and positive business operational growth for the best interests of our shareholders.

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

Thank you!

Simon Lin
Chairman of Wistron NeWeb Corporation

2. Company Introduction

2.1 Date of Establishment

December 7, 1996

2.2 Milestones

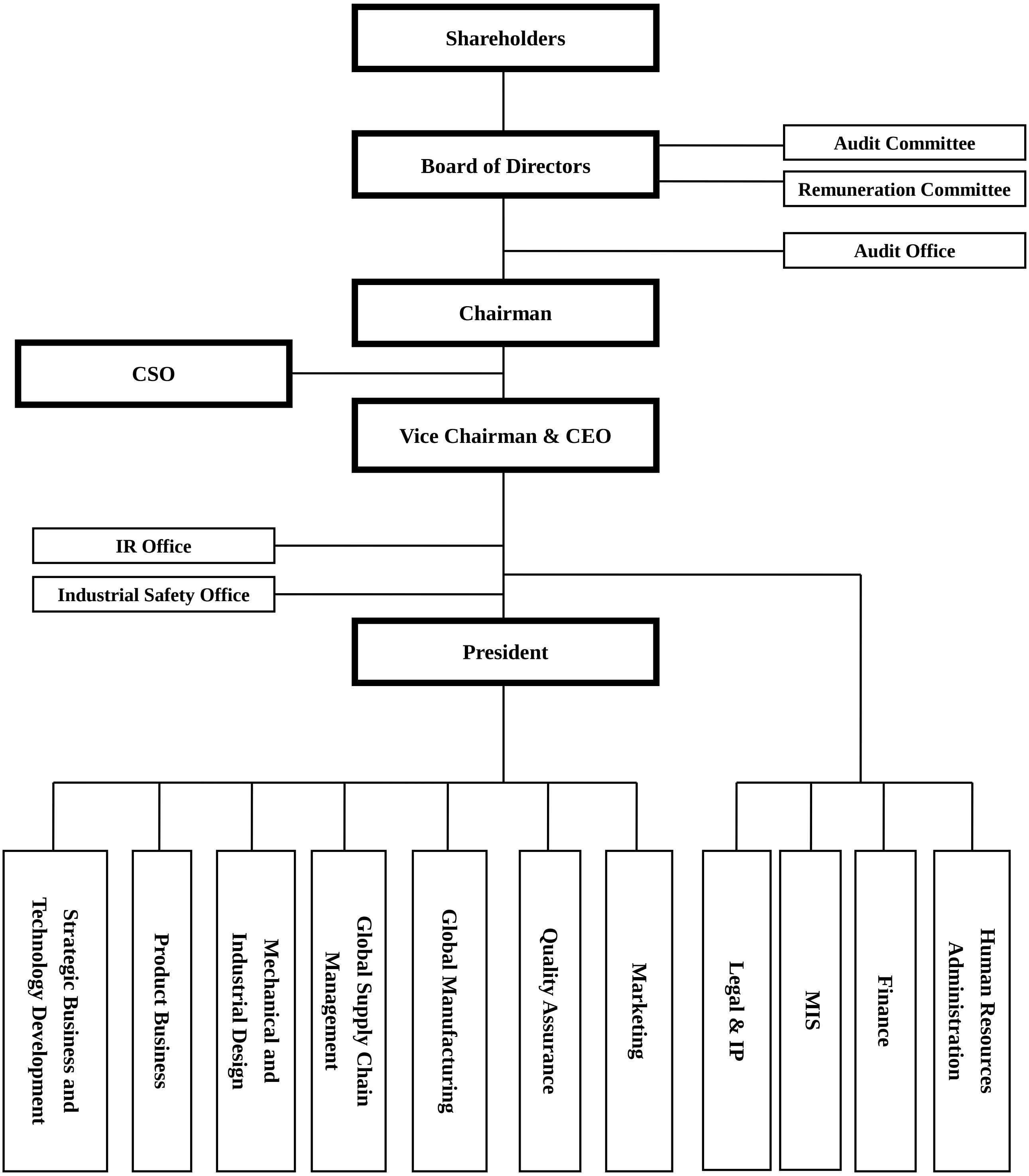
Dec.	1996	Wistron NeWeb Corporation was founded, located on Dongda Rd., Hsinchu, Taiwan.
April	1997	Established manufacturing plant on Fenggang Rd., in Zhubei City.
April	1998	Obtained ISO 9001 certification from RWTUV (Germany).
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
June	2000	Bluetooth product series honored with 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 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 was publicly listed on the Taiwan Stock Exchange.
Nov.	2003	IEEE802.11a/g Switch received the 2003 Innovation Product Award from the Hsinchu Science Park.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in Mainland China.
March	2004	Established WNC (Kunshan) Corporation in Mainland China.
May	2004	Merged with Acer Netxus Inc. from May 31, 2004.
Nov.	2005	Obtained ISO 14001 certification from RWTUV (Germany).
Nov.	2005	LNB annual output reached 10 million.
Dec.	2005	Obtained ISO/TS 16949 certification from RWTUV (Germany).
Jan.	2006	Wi-Fi Phone received 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	Obtained the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
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 an Innovation Product Award from Hsinchu Science Park.
Oct.	2008	Obtained OHSAS 18001 certification from RWTUV (Germany).
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Nov.	2009	Received the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
Nov.	2009	Completed training programs of EuP Directive 2005/32/EC and applied them in product design processes.
Jan.	2010	Moved to 20 Park Avenue II (or Yuanchiu 2nd Rd), Hsinchu Science Park.
April	2010	Completed training programs of ErP Directive 2009/125/EC and applied them in product design processes.
June	2010	UI design artwork, Fun-Quick, received the 2010 iF communication design award.
Aug.	2010	Received Contribution Award and Invention Award in 2010 National Invention & Creation Awards.
Oct.	2010	Received the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Innovative Product Award from Hsinchu Science Park.
Dec.	2010	Recognized in the 2010 Asiamoney Corporate Governance Poll for: Overall Best for Investor Relations across Asia and other awards.
April	2011	Passed IECQ QC080000 (Hazardous Substance Process Management) and ANSI/ESD S20.20 (Electronic Discharge Control Program) certification.
June	2011	Published first edition of Corporate Social Responsibility report.
Aug.	2011	Smart Shortcut hand-held interface received a reddot award for communication design.
Aug.	2011	Awarded National HRD InnoPrize.
Sept.	2011	Automotive BSD radar system commenced shipping.
Sept.	2011	Awarded Creation Award in the 2011 National Invention & Creation Awards.
Oct.	2011	Established Irvine Office for North American market.
Dec.	2011	Awarded Hsinchu Science Park Innovative Product Award & R&D Accomplishment Award.
March	2012	Established New Jersey Office for North American market.
July	2012	Established WNC EICC management committee.
Sept.	2012	Awarded Invention Award in the 2012 National Invention & Creation Awards.
Oct.	2012	IEEE 802.11ac networking products commenced shipping to North American market.
Nov.	2012	4G Mobile Hotspot received 2013 CES Innovations Design and Engineering Award.
Dec.	2012	Awarded Industrial Development Bureau, Ministry of Economic Affairs Industrial Sustainable Excellence Award and Hsinchu Science Park R&D Accomplishment Award.

3. Operational Highlights

3.1 Organization Structure

3.1.1 Organizational Chart



3.1.2 Departmental Functions

Department	Main Responsibilities
Audit Office	Responsible for internal auditing and evaluation of the company's internal operations
IR Office	Responsible for maintenance of corporate and investor relations
Industrial Safety Office	Safety inspections of WNC's offices and factories, environmental pollution prevention, and safety maintenance
Human Resources Administration	Responsible for the company's management systems, human resources, employee welfare, health and safety, employee training, and general affairs
Finance	Responsible for treasury, financial management, investment, accounting services, and tax services
MIS	Company information systems, software, and network management and maintenance
Legal & IP	Legal affairs of the company, contracts, patents, trademarks, technology licensing, IP, and legal consultative services
Product Business	Market development, order handling, customer and payment management, customer complaint handling, new product planning, and product development, coordination, and control
Strategic Business and 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
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, logistic 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 13, 2013)

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Date Elected</th><th rowspan="2">Term (yrs)</th><th colspan="2">Shares Held When Elected</th><th colspan="2">Current Shareholding</th><th colspan="2">Shares Held by Spouse & Minors</th><th rowspan="2">Education</th><th rowspan="2">Selected Current Positions</th><th colspan="3">Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor</th></tr>
<tr><th>Number</th><th>Percentage</th><th>Number</th><th>Percentage</th><th>Number</th><th>Percentage</th><th>Title</th><th>Name</th><th>Number</th></tr>
<tr><td>Chairman</td><td>Wistron Co. (Representative: Simon Lin)</td><td>06/17/2011</td><td>3</td><td rowspan="2">70,261,904</td><td rowspan="2">25.80%</td><td rowspan="2">77,460,373</td><td rowspan="2">25.45%</td><td rowspan="2">0</td><td rowspan="2">0%</td><td>Bachelor’s</td><td>Chairman & CSO of Wistron NeWeb
Chairman & CEO of Wistron
Chairman of AOPEN
Chairman of Wistron ITS
Chairman of Changing
Director of Gamania
Independent Director of TICP
Independent Director of Neo Solar Power Corp.
Director of Keen High
Independent Director of TPKH
Chairman of Wiwynn</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director</td><td>Wistron Co. (Representative: Frank F.C. Lin)</td><td>06/17/2011</td><td>3</td><td>Bachelor’s</td><td>Chief Staff Officer of Wistron
Chairman of AnexTEK
Chairman of WiseCap
Chairman of WLB
Director of AOPEN
Director of Wistron ITS
Director of Changing
Director of IP Fund Two
Supervisor of aEnrich Technology Corp.
Supervisor of Formosoft
Independent Director of Integrated System Solution (ISSC)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director</td><td>Haydn Hsieh</td><td>06/17/2011</td><td>3</td><td>4,335,416</td><td>1.59%</td><td>4,779,587</td><td>1.57%</td><td>73,492</td><td>0.02%</td><td>Bachelor’s</td><td>Vice Chairman & CEO of Wistron NeWeb
Director of aEnrich Technology Corp
Director of Wistron</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
											Director of AOPEN Independent Director of Raydium			
Director	Jeffrey Gau	06/17/2011	3	1,584,818	0.58%	1,861,933	0.61%	339,275	0.11%	PhD	President of Wistron NeWeb	-	-	-
Director	Max Wu	06/17/2011	3	0	0%	0	0%	0	0%	Bachelor's	Chairman of Birch Venture Capital Chairman of Hua Nan Assets Management Chairman of Integrated System Solution (ISSC) Director of Novatek Independent Director of Apacer Director of MicroBase Technology Director of Glory Praise Photronics Supervisor of Antec	-	-	-
Director	Philip Peng	06/17/2011	3	100,945	0.04%	111,286	0.04%	0	0%	Master's	President and Director of iD SoftCapital Inc. The representative of Acer as a member of board of directors Chairman of Smart Capital Director of AOPEN Supervisor of Wistron ITS The representative of Sheng-Hua Venture Capital Corp as.a member of board of directors The representative of International Network Capital Corp. as a member of board of directors The representative of Legend Technology Venture Capital Invest as a member of board of directors The representative of Dragon Investment Fund I Co. as a Supervisor on board of directors The representative of iD SoftCapital as a Supervisor on board of directors	-	-	-

Title	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
											(and others)			
Independent Director	Morgan Chang	06/17/2011	3	0	0%	0	0%	8,916	0%	Bachelor's	CEO of Kuang Chien Computer Supervisor of Great Eastern Resins (GRECO) Chairman of Manufacturers Association of Taichung Industrial Park	-	-	-
Independent Director	Robert Hung	06/17/2011	3	0	0%	0	0%	0	0%	Master's	Director of Coretronic Corp. Independent Director of TSRC	-	-	-
Independent Director	S.T. Peng	06/17/2011	3	0	0%	0	0%	0	0%	PhD	Honorary Chair and Professor of the Department of Communications Engineering at Yuan Ze University (YZU) Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation Supervisor of SpringSoft Education Foundation	-	-	-

3.2.2 Major shareholders of Wistron NeWeb Corporation's Institutional shareholders (April 16, 2013)

Name	Name of Major Shareholders	Percentage (%)
Wistron Corporation	Cathay Life Insurance Co., Ltd.	4.02
	The Master Trust Bank of Japan, Ltd. as trustee of PCA Asia Oceania High Dividend Equity Mother Fund	2.46
	Fubon Life Insurance Company Limited	2.07
	Acer Incorporated	2.07
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	2.05
	GMO Emerging Markets Fund	1.80
	Chunghwa Post Co., Ltd	1.68
	Management Board of Public Service Pension Fund	1.68
	Prudential Assurance Company Ltd	1.49
	Wistron Corp. Global Depositary Receipts	1.42

3.2.3 Major shareholders of the institutional shareholders listed in section 3.2.2 (April 21, 2013)

Name	Major Shareholders	Percentage (%)
Chunghwa Post Co., Ltd	Ministry of Transportation and Communications	100
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings	100
Fubon Life Insurance Company Limited	Fubon Financial Holding Co., Ltd.	100
Acer Incorporated	Stan Shih	2.64
	Yen, Wei	2.63
	Hung Rouan Investment Corp.	2.39
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	2.31
	Government of Singapore	1.92
	Management Board of Public Service Pension Fund	1.27
	Acer GDR	1.23
	JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	1.22
	MSCI Equity Index Fund B - Taiwan	0.96
	Carolyn Yeh	0.68

3.2.4 Information on Key Managers (April 13, 2013)

Title	Name	Date Assumed Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CSO	Simon Lin	11/26/1996	2,099,108	0.69%	22,062	0.01%	Bachelor's	Chairman & CEO of Wistron Chairman of AOPEN Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Corp. Director of Keen High Independent Director of TPKH Chairman of Wiwynn	-	-	-
Vice Chairman & CEO	Haydn Hsieh	06/14/1990	4,779,587	1.57%	73,492	0.02%	Bachelor's	Director of aEnrich Technology Corp Director of Wistron Director of AOPEN Independent Director of Raydium	-	-	-
President	Jeffrey Gau	01/01/2008	1,861,933	0.61%	339,275	0.11%	PhD	-	-	-	-
Senior Vice President	Larry Lee	08/16/2005	446,351	0.15%	2,000	0%	Master's	-	-	-	-
Vice President	Fayu Chen	04/07/2008	269,265	0.09%	852	0%	Master's	-	-	-	-
Vice President	Johnson Hsu	2/5/2010	201,476	0.07%	0	0%	Master's	-	-	-	-
Vice President	Jack Liu	07/19/2010	(Note 1)	(Note 1)	(Note 1)	(Note 1)	Bachelor's	-	-	-	-
Chief Finance Officer	Jona Song	01/01/2002	467,856	0.15%	0	0%	Bachelor's	-	-	-	-
Chief Logistics Officer	Jasmine Huang	08/16/2005	338,001	0.11%	0	0%	Bachelor's	-	-	-	-
Associate Vice President	Ray Lee	02/01/2006	283,295	0.09%	16,000	0.01%	Bachelor's	-	-	-	-
Associate Vice President	Kevin Chiang	04/07/2008	223,793	0.07%	1,388	0%	Master's	-	-	-	-
Associate Vice President	Jeff Chang	08/05/2009	75,334	0.02%	0	0%	Bachelor's	-	-	-	-

Title	Name	Date Assumed Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Associate Vice President	Chris Hwang	02/05/2010	79,978	0.03%	0	0%	Master’s	-	-	-	-
Associate Vice President	Bird Huang	02/05/2010	83,652	0.03%	0	0%	Master’s	-	-	-	-
Associate Vice President	TJ Chen	02/05/2010	94,336	0.03%	2,281	0%	Master’s	-	-	-	-
Associate Vice President	Jason Chen	12/05/2010	(Note 2)	(Note 2)	(Note 2)	(Note 2)	Master’s	-	-	-	-
Associate Vice President	Tim Chen	6/15/2011	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Master’s	-	-	-	-
Associate Vice President	Apollo Shyong	4/5/2012	127,038	0.04%	0	0%	Master’s	-	-	-	-
Associate Vice President	Michael SY Chen	4/5/2012	0	0%	0	0%	Master’s	-	-	-	-
Associate Vice President	CY Chang	6/5/2012	10,761	0%	0	0%	Master’s		-	-	-
Associate Vice President	David Tsai	9/10/2012	0	0%	0	0%	Master’s		-	-	-
General Plant Manager	Andrew Wong	12/01/2009	40,949	0.01%	0	0%	Bachelor’s	-	-	-	-

Note 1: Jack Liu served as Vice President until August 25 2012.
Note 2: Jason Chen resigned from the position of Associate Vice President on September 28, 2012.
Note 3: Tim Chen resigned from the position of Associate Vice President on September 10, 2012.

3.3 Corporate Governance

3.3.1 Corporate Governance, Discrepancies between the Corporate Governance Principles Implemented by Wistron NeWeb Corporation and the Principles Set for Publicly Listed Companies, and the Reason for the Discrepancy

Items	Implementation	Discrepancy between the corporate governance principles implemented by Wistron NeWeb Corporation and the principles set for publicly listed companies and the reason for the discrepancy
A. Ownership structure and shareholders' equity		
a. Handling of shareholders' proposals and disputes	a. Wistron NeWeb Corporation has designated the Shareholders Service Office to handle shareholders' proposals and disputes.	No discrepancy
b. Search for information on the identities of major shareholders and their ultimate controlling persons	b. Wistron NeWeb Corporation 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.	No discrepancy
c. Establishment of a risk control mechanism and firewalls with affiliates	c. Wistron NeWeb Corporation has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsements and guarantees, loaning of funds, and the rules governing acquisition and disposition of assets.	No discrepancy
B. Composition and duties of Board of Directors		
a. Election of independent directors	a. Wistron NeWeb Corporation has set three seats for Independent Directors on the Board.	No discrepancy

Items	Implementation	Discrepancy between the corporate governance principles implemented by Wistron NeWeb Corporation and the principles set for publicly listed companies and the reason for the discrepancy
b. Regular evaluation of independence of CPA	b. The CPA is confirmed after evaluation and discussion of the Board.	No discrepancy
C. Establishment of communication channels with stakeholders	Wistron NeWeb Corporation has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders.	No discrepancy
D. Disclosure of information		
a. Utilization of website to disclose finance, operational, and corporate information	a. Wistron NeWeb Corporation 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.	No discrepancy
b. Other means of disclosing information	b. Wistron NeWeb Corporation has one chief spokesman and one acting spokesman and has also designated a team responsible for gathering and disclosing information. c. Wistron NeWeb Corporation has established procedures to control the disclosure of material information and to prevent insider trading.	No discrepancy
E. Establishment and enforcement of an Audit Committee and other functional committees	a. Wistron NeWeb Corporation has set up an Audit Committee within the Board. b. A remuneration committee was set up on Oct. 26, 2011.	No discrepancy
F. If your Company has implemented corporate governance principles according to the Principles, please identify any discrepancy with the Principles: • Overall, Wistron NeWeb Corporation follows government principles.		

Items	Implementation	Discrepancy between the corporate governance principles implemented by Wistron NeWeb Corporation and the principles set for publicly listed companies and the reason for the discrepancy
G. Other important discourses that help you to understand the enforcement of corporate governance of the Company: • The recruitment policies of Wistron NeWeb Corporation conform to government regulations. All employees have equal rights and development opportunities in Wistron NeWeb Corporation. • Wistron NeWeb Corporation signs purchasing contracts with suppliers to protect mutual rights. • Wistron NeWeb Corporation maintains stable and close relationships with customers to obtain stable and reasonable profits. • Wistron NeWeb Corporation has purchased liability insurance for Directors and other key employees.		

3.3.2 Corporate Social Responsibility

<table>
<tr><th>Item</th><th>Implementation Status</th><th>Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons</th></tr>
<tr><td>1. Exercise of Corporate Governance

(1) The company declares its corporate social responsibility policy and examines the results of implementation.

(2) The company establishes exclusively (or concurrently) dedicated units in charge of proposing and enforcing CSR policy.

(3) The company organizes regular training on business ethics and promotion of issues prescribed in the preceding Article for directors, supervisors and employees, and incorporates the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</td><td>Implementation of Social Responsibility
WNC established the following Corporate Social Responsibility objectives in order to strengthen its long-term goal of sustainable corporate development:

■ Maintain stable growth.
■ Extend the company’s CSR policy to the whole supply chain.
■ Create an outstanding employee training environment.
■ Support disadvantaged students.

WNC’s Marketing Center is in charge of coordinating CSR and the publication of the annual CSR report. Execution of the various CSR policy items is the responsibility of the relevant department. Through a semi-annual performance appraisal system, supervisors from each unit must review the effectiveness of the CSR policy implementation. Further goals are set as necessary for future development and take effect after approval by the CEO.

Ethics Education
Since WNC was founded, it has implemented its internal regulations in accordance with applicable national laws in order to guide its employees, managers, and the Board of Directors. Further adjustments to ensure internal compliance with amendments to regulations by the competent authorities are carried out in accordance with an understanding of the full scope of domestic/international investments and sales trends. Policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, avoidance of conflicts of interest, information safety, and public welfare assistance are all included in the field of corporate compliance. In addition, in dealings with vendors, three major principles with regard to gifts must be observed: (1) No employee may accept any gift in any form including gift vouchers, cash, or stock or other securities; any employee caught doing so will be punished according to the circumstances involved. (2) Requesting gifts from vendors is not permitted. For special occasions where a vendor expresses an interest in presenting a gift,</td><td>
None</td></tr>
</table>

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	the request should be passed to the general affairs unit for coordination. (3) Traditional small gift items such as festival foods or vendor gift items are acceptable so long as it is done in an open manner. Individual employees should exercise their own judgment but should not allow the acceptance of such gifts to influence mutual relations. All WNC subsidiaries and affiliates are required to follow the same corporate compliance guidelines. WNC clearly states that employees must uphold high ethical standards and abide by norms of integrity while in execution of their daily duties to protect company credibility. All employees are required to sign the WNC employment Code of Conduct. WNC carefully monitors changes in domestic/international policies and regulations and amends the related risk control policies to respond accordingly.	
2. Fostering a Sustainable Environment (1) The company endeavors to utilize all resources efficiently and uses renewable materials which have a low impact on the environment. (2) The company establishes appropriate environmental management systems based on the characteristics of different industries. (3) The company establishes dedicated units or assigns dedicated personnel for environment management.	**Green Product Management** All WNC employees are engaged in the exercise of environmental protection responsibilities and in the observance of environmental protection regulations. In addition, the promotion of environmental protection concepts with our suppliers with the goal of creating a green supply chain has become a key mission of the company. 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; waste gases, waste water, undesirable noise, toxic substances, or other pollutants are rarely generated. 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 cycle under its well-prepared management system and regularly inspects its waste treatment plant to ensure proper operation. WNC received its ISO 14001:2004 Environmental Management System Certification in November 2005. Furthermore, it continuously carries out a systematic operational management scheme to improve environmental health and safety.	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
(4) The company monitors the impact of climate change on its operations and establishes strategies for energy conservation and carbon and greenhouse gas reduction.	**WNC's Hazardous Substance–Free Policy: Green Design, Environmentally Friendly, Green Manufacturing, Customer Satisfaction, Regulatory Observance, and Outstanding Innovation** WNC established a product environmental engineering division tasked with coordinating all internal and external matters relating to green products including: evaluation and execution of compliance with international laws and regulations and customer environmental-protection directives; promotion of green product continual improvement initiatives; control of restricted substances and audit of green products; management of environmental standards for suppliers; and regular audits of the effectiveness of the implementation of WNC's green policies. Today the awareness of the need for environmental protection has increased all over the world, and manufacturers now attach great importance to sustainable operations. In response to the requirements of international environmental protection directives and standards for the restricted use of environmental hazardous substances from specific customers, WNC introduced a green product management system in 2006. In accordance with international environmental protection directives (such as RoHS and REACH) and requirements for restricted usage of environmentally hazardous substances from key customers, WNC has set up a control list of hazardous substances to manage materials within its factories and to manage the raw materials of manufacturing processes through its suppliers. For products constrained by related directives or by customers themselves, WNC specifies management procedures, implements lead-free processes, and/or utilizes XRF equipment for the inspection of incoming materials. All measures assist WNC to perform reliable and rigorous monitoring of environmentally hazardous substances in raw materials and products from the product design stage through the entire production process. In line with halogen-free product manufacturing trends, WNC has also enforced halogen-free standards in its production processes. Through green procurement and communications, WNC cooperates with its suppliers to assist customers in the production of green products	

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	with less impact on the environment. In 2009, WNC completed training on the Directive for Eco-design Requirements for Energy-using Products (EuP) led by the Industrial Development Bureau of the Ministry of Economic Affairs. WNC has made the pursuit of eco-design a fundamental requirement of its design process and considers environmental protection factors in the earliest stages of product design and development. 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 impact. Meanwhile, WNC raises supplier side requirements to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC. **Energy-Efficient Office** In order to encourage WNC employees to practice a low-carbon lifestyle, an activity was hosted in support of Earth Day including a sale of second-hand goods for charity. In addition, parking spaces with charging facilities for electric scooters were designated in the parking block, and use of only recycled tissue paper in bathrooms was adopted. With regard to conserving water and energy, WNC has adopted the following measures: Water conservation measures: ■ Use of cisterns to recycle water. The total amount of recycled water each year is approximately 17,769 tonnes: Recycled cooling tower water is approximately 13,846 tonnes, recycled rainwater is approximately 1,292 tonnes, and cooling tower water overflow is approximately 2,631 tonnes. The recycled water is used for the cooling tower, grounds irrigation, and toilet cleaning on each floor. ■ Use of water-permeable materials to plant plants and grass, use of planting bricks to replace normal bricks on the u-turn floor for cars and parking. These measures increase the amount of greenery and increase surface drainage. ■ Use of induction taps in toilets and the setting of water taps in break rooms to the minimum water discharge level.	

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	Power conservation measures: ■ Air-conditioning temperature is maintained at 26 ℃ ± 2 ℃ during the summer. ■ Lighting is only used in active sections of the production line. ■ Use of external air-conditioning to reduce room temperatures during the winter. ■ Main building cooling unit uses a heat recycling system. ■ Cooling tower and fans installed with temperature control and frequency conversion features. ■ Use of both variable-frequency and full-frequency air compressors to regulate the air supply and lower power consumption. ■ WNC signage illumination is powered by wind generation. ■ Use of time-switch and induction lighting for parking lot illumination. ■ WNC's facility was designed to make maximum use of natural sunlight. Made of 8+12A+8mm LOW-E glass, the exterior glass curtain walls provide energy-saving effects. ■ Use of tunneling to reduce external temperature and lessen air-conditioner loads. ■ Cooler water temperatures are raised to save electricity. Auto on/off for main cooling unit and fan according to indoor loads. ■ Office and factory lighting designs meet CNS standards. ■ Air-conditioning in the office is set to a constant temperature. ■ Alternating elevator floor control to reduce power consumption. Hot water cisterns for tea making are switched off after office hours. Waste reduction measures: ■ Promotion of paper-free office programs and encouragement of employees to recycle resources and reduce waste. ■ Use of dissolvable short-fiber toilet paper. ■ Distribution of environmentally-friendly eating utensils and bags to WNC employees.	

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	Greenhouse Gas Inventory: WNC adopts a proactive attitude in facing critical environmental issues including climate change and global warming, and views the greenhouse gas reduction goals of the Kyoto Protocol as its responsibility. Starting from 2012, WNC has specified its organizational boundaries and performs stage-by-stage greenhouse gas inventories. In 2012, the amount of the company's greenhouse gas emissions was 8,320 tonnes of CO2e.	
3. Maintaining Social Welfare (1) The company complies with relevant labor laws and regulations, values the international principles respecting basic labor rights, protects the legal rights and interests of employees, has established a non-discrimination employee recruiting policy, and has in place appropriate management methods and procedures.	**Recruitment:** Employees are the key assets of a company. WNC follows recruitment principles of "respect for human rights" and "employing people according to their abilities". WNC's entire recruitment process conforms to labor regulations and gender equality guidelines. Professional ability is the key factor in our recruitment processes. We will not consider an individual's gender, age, ethnic background, religion, or political affiliation as an advantage or drawback during evaluation. All participants have an equal opportunity to display their capabilities in an open and transparent recruitment process. Personnel from the recruitment affairs unit also regularly participate in diverse training programs on interview skills and in the use of specialized evaluation tools. Besides participating in Taiwan's Labor Insurance and National Health Insurance and contributing employee wages to pension accounts according to Articles 55 and 56 of the Labor Standards Act, all regular employees participate in a group insurance plan, which gives employees and their families added protection. All regular and contract employees also enjoy longer annual leave than specified in the Labor Standards Act. WNC stipulates annual leave for all regular and contract employees according to the Labor Standards Act and also institutes a compensatory leave system that surpasses the statutory leave provisions. In addition to contributing their effort for the company, employees are encouraged and can feel free to plan their special leave times and supplementary holidays to help preserve employees' mental and physical well-being.	None

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	Child Labor WNC complies with Taiwan's Labor Standards Law and does not hire workers under the age of 15. Also, in accordance with central government regulations, technical students 15 to 16 years of age are hired for vocational training purposes. However they are not allowed to engage in heavy work or in any work of a dangerous nature. **EICC Code of Conduct Compliance** WNC voluntarily follows the spirit of the Electronic Industry Citizenship Coalition's Code of Conduct and plans to implement the EICC's Code of Conduct requirements in its supply chain as a whole. Based on the EICC Code of Conduct, WNC organized a WNC Electronic Industry Code of Conduct Management Committee ("WNC EICC Management Committee") in July of 2012 and adopted its own WNC Electronic Industry Code of Conduct. Through the management actions it takes, WNC displays its willingness to take on social and environmental responsibilities as well as carrying out its code of ethics and improving its corporate image. Employee rights, employee health and security, environmental protection, and business ethics are all important subjects of focus for the company. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers.	
(2) The company provides a safe and healthy work environment for its employees and organizes safety and health training on a regular basis.	**Environment, Health and Safety:** WNC observes various regulatory guidelines of the Environment, Health and Safety (EHS) sector and follows the below strategies in execution of EHS obligations: ■ Comply with government regulatory requirements and with related international trends to carry out environmental protection. ■ Provide a safe and healthy workplace environment. ■ Continuously implement and improve pollution and occupational injury prevention methods. ■ All employees will assist in the design and manufacture of environmentally friendly products that meet customer requirements.	

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	Since its establishment in 1996, WNC has worked to establish a safe and healthy working environment. Besides establishing ESH policies, WNC pays great attention to employees' education and to the execution of our health and safety regulations. An ESH examination committee has been set up to monitor the ESH management system, as well as to examine environmental aspects and assess ESH risks according to PDCA (plan-do-check-act) principles. ESH certification obtained by WNC includes: 2009 - Healthy Workplace Accreditation Certification from the Bureau of Health Promotion 2008 - OHSAS 18001:2007 certification 2005 - ISO 14001: 2004 certification WNC carries out a broad range of risk assessment activities, periodically manages changes in occupational safety and health policy, and controls the impact of each change. Internal and external audit activities are held every year to ensure that the occupational safety and health system is functioning well and is improving. To effectively maintain workplace safety and minimize employee health hazards, we evaluate workplace conditions periodically according to government laws regarding the monitoring of the workplace environment. Measurement targets include lead, organic solvents, lighting, carbon dioxide levels, and noise. A carbon dioxide monitoring system is installed extensively throughout office and factory areas. Employees can check the concentration of indoor carbon dioxide at any time. To shorten reaction times to emergencies, each WNC employee is organized into fire-prevention teams on a departmental basis. We also hold traffic safety forums, health forums, health enhancement activities, occupational safety and health training, and annual fire-prevention training. Currently there are two nursing professionals attending to the company's employee health and nursing needs.	

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(3) The company has established a regular communication mechanism and uses reasonable manners to inform employees of critical operational changes.	**Communication Mechanisms:** WNC has established an Employee Welfare Committee to carry out overall planning. Representatives from employees and the management team coordinate the use of employee welfare funds to further improve relations between management and employees. To care more for employee working conditions and strengthen employee relations, WNC has established an Employee Representative Committee. The committee, which is drawn from all employees, functions as a feedback channel for colleagues to raise workplace-related issues. It delivers opinions to the management team and replies to employees' concerns and suggestions after thorough consideration. The committee members are department representatives elected by each department. Committee meetings are held quarterly. In 2012, four meetings were held and 107 proposals were discussed, including 20 employee meal service items, 15 parking issues, 39 employee welfare items, 27 working environment items, and 6 PC/IT issues.	
(4) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for handling consumer complaints.	**Customer Services:** To raise the trust and satisfaction customers hold for WNC 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, WNC is able to more-closely understand how customers feel about the services they receive from different business units and the quality of different products; the customer services division passes on its analysis of reasons for dissatisfaction to business units for drawing up and execution of plans for improvement and tracking of improvement initiatives, with the ultimate goal of winning customer recognition of improvements. At the same time, WNC continuously advances promotion and verification measures to improve and stabilize quality systems. After obtaining ISO 9001 and ISO/TS 16949 certifications in 1998 and 2005, respectively, WNC has continued to update its certifications annually based on the latest standards so as to maintain and improve the operational	

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(5) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.	effectiveness of its quality systems. Beginning in 2006, the Six Sigma project was introduced. Taking zero defects as its goal, the system teaches WNC employees problem-solving concepts, procedures, and tools to improve operational flows, including product design, materials management, production procedures, operations management, administration management, capital management, and project management. This, in turn, assists in the improvement of overall operational standards and raises WNC's competitiveness and customer satisfaction. **Green Supply Chain:** WNC not only places great emphasis on suppliers' capabilities in product quality, cost reduction, delivery, and technology, but also on their green products and social responsibility. To provide stakeholders with good quality products and services, WNC takes supplier performance and execution of their internal quality management systems as a primary evaluation indicator during the supplier authentication process. WNC requires both upstream and downstream suppliers to observe our Regulations on the Restricted Usage of Environmentally Hazardous Substances and all relevant international regulations such as RoHS, WEEE, REACH, ErP, and the EU Battery Directive. **Supplier Quality Agreements** In order to create a green supply chain, from 2006 WNC began requiring suppliers to sign a Supplier Quality Agreement. This agreement requires suppliers to strictly observe WNC's Regulations on the Restricted Usage of Environmentally Hazardous Substances and—when required—submit inspection reports from third party verification institutions regarding manufacturing, green product design, and hazardous substances source management and also to include green management principles in supplier management systems. By the end of 2012, a total of 752 materials suppliers, including 424 companies from Taiwan and 328 companies from China, had signed WNC's Supplier Quality Agreement.	

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	Non-Use of Conflict Minerals On the matter of "conflict minerals", WNC has never purchased conflict minerals directly from their origins and has declared it will not use conflict minerals such as Tin (Sn), Tantalum (Ta), Tungsten (W), and Gold (Au) originating in the Democratic Republic of the Congo (DRC) and other conflict regions. WNC has also adopted the use of the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI)'s Conflict Minerals Reporting Template (EICC Template) to survey all business unit suppliers' usage of conflict minerals and to take practical actions to help put an end to using conflict minerals. Since 2010, based on a risk assessment of different raw materials, WNC has required 166 companies from Taiwan and 414 companies from China to sign letters of commitment stating that they do not and will not purchase conflict minerals. In addition, WNC enacted the "WNC Non-Use of Conflict Minerals Policy" and announced its determination to refuse conflict minerals. WNC Non-Use of Conflict Minerals Policy: 1. WNC products do not contain minerals originating in the Democratic Republic of the Congo (DRC) and other conflict regions nor those minerals mined in conditions of armed conflict and human rights abuses. 2. WNC requires its suppliers to refuse to use conflict minerals and to disclose the origin of Tin (Sn), Tantalum (Ta), Tungsten (W), and Gold (Au) used. 3. WNC requires its suppliers to pass on the "WNC Non-Use of Conflict Minerals Policy" to other upstream suppliers and through their supplier chains. **The Electronic Management System for Suppliers** From 2006 to 2007, WNC developed an Internet Supplier Portal to ensure that information passing between WNC and its suppliers is timely and effectively communicated, collected, and integrated. Meanwhile, it assists in reducing wastage of time and resources caused by paper trails. WNC hopes that it can learn and develop together with suppliers and realize many mutual achievements in efficiency. ■ E-procurement system: Via our Internet Supplier Portal and just in time (JIT) system,	

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	materials' status can be displayed in real-time and in a transparent manner. Suppliers can understand changes in demand at an earlier time, thus avoiding the risk of raw material stockout or over supply and allowing more advanced inquiry of inventory and payment status. Environmental guidelines and regulations that suppliers are required to follow are placed on the front page of the purchasing system webpage and are attached to all purchase orders sent to suppliers. This assists suppliers in ensuring that products comply with related prohibited substance standards or WNC's own RoHS regulations. ■ E-Kanban system: Use of e-Kanbans raises the effectiveness of quality control systems in place at both WNC and on the supplier side. In the event of material loss or production bottlenecks, real-time technical discussion by both sides can rapidly resolve situations and reduce the possibility of production of non-conforming raw materials. **Vendor Performance Evaluation** To enhance the quality of suppliers, WNC carries out quarterly vendor performance evaluations to assess overall performance based on benchmark indicators of quality, price competitiveness, lead time, flexibility, service, and so on. If during site visits and on-site audits any non-conformance with WNC regulations is discovered, an improvement plan will be implemented after discussion with the supplier. To ensure improvement plans are executed correctly, in addition to setting clear objectives and schedules, WNC will appoint specialized personnel to assist in education and supervision. WNC holds a quarterly supplier conference with key suppliers to discuss the quality of products and services, obtain feedback, and make future plans. In this way, both sides understand market dynamics and ensure that market needs are met. Developing long-term partnerships with suppliers has always been a very important operational policy of WNC. Suppliers play an important role in raising sustainable competitiveness in any corporation, and WNC awards and expresses its gratitude to suppliers for their outstanding performance and special contributions in its annual supplier conference.	

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	Supplier CSR Survey Developing long-term partnerships with suppliers has always been a very important policy of WNC. Suppliers play an important role in increasing sustainable competitiveness in any corporation. WNC emphasizes the importance of mutual learning with suppliers so that, in addition to the exercise of its own social responsibilities, it can also look forward to observing suppliers meeting their own obligations to society. In 2012, WNC implemented a supplier CSR survey requiring suppliers to sign a Supplier Code of Conduct based on the EICC Electronic Industry Code of Conduct and to fulfill its related social responsibilities. By the end of 2012, a total of 419 suppliers had signed the WNC Corporate Social Responsibility (CSR) Declaration, and 381 suppliers signed the WNC Code of Conduct. **Contractor Health and Safety Management** In order to ensure the safety of both contractors and WNC employees, maintain facility safety, and observe related labor health and safety regulations, WNC has drawn up a Contractor EHS Management Procedure. This document clearly demarcates the powers and responsibilities of company units and contractors and describes EHS issues requiring attention. Contractors are required to sign a safety undertaking before entering WNC facilities and are required to undergo health and safety training before commencing work. With regard to high-risk work, WNC has drawn up a Dangerous Work Permission Management SOP. With regard to control of special operations, standing orders are also in place. Special operations include fire work, work in elevated locations, suspension work, work in confined locations, and other work with immediate dangers. These operations all require separate permissions, with different requirements for safety equipment and control procedures according to the nature of the work.	
(6) The company, through commercial activities, non-cash property	**Social Care** WNC has continued to commit itself to its four major social care programs with financial and manpower support for youth professional development, care of disadvantaged school	

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endowments, volunteer service or other free professional services, participates in community development and charitable events.	children, assistance to charitable organizations, and collection of disaster relief funds. Beginning in April 2009, WNC kicked off its social care program under the name "WNC Social Care Assistance". In November 2010, the company set up a Social Care Assistance Platform on its internal website with the purpose of providing a convenient channel for employees to obtain social care information and to make donations and offer assistance on-line. WNC takes an active part in fundraising events including taking the initiative to hold internal charitable donation campaigns and encouraging employees to donate in response to major disasters or the special needs of colleagues and the community. In addition, care, financial assistance, legal consultation, and/or funeral assistance is provided for injured/seriously ill employees or for families of employees who pass away. According to statistics from 2009 to 2012, in addition to the company's own donations of NT$931,200 our employees donated funds 4,113 times for a total of NT$5,936,700. Donation recipients were the families of two colleagues who passed away due to accident. The After-School Volunteer Club and the Science Promotion Club of National Tsing Hua University, the Hsinchu branch of the T.F.C.F, the Liugui Orphanage, Hsinchu's Renai Children's Home, and Zhudong Psychiatric Institution were also beneficiaries of the generosity of WNC employees. WNC provides long-term subsidization of the After-School Volunteer Club of National Tsing Hua University, encouraging its members to apply their knowledge to serve and care for young people. At the end of every February and August, club members are requested to provide a report of the current semester and an activity proposal for the coming semester. Through the process of composing proposals every year based on the actual needs of students, club members learn from experience how to plan an after-school program, to properly allocate resources, to perform benefit assessments, and to evaluate performance. In June 2009, WNC began providing a subsidy of NT$200,000 every semester to the After-School Volunteer Club of National Tsing Hua University. This after-school program targets those in need of assistance as defined by the Department of Social Welfare, which	

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	includes elementary and junior high school students that are raised by a single parent or grandparents or from families with low income, family violence, or other special backgrounds. Major tutoring activities include homework guidance and informal assessments on how the children are doing in school. One tutor usually takes care of the same children, which may be on a one-on-one or one-on-two basis, to effectively improve the self-esteem and study performance of those children. Tutors also accompany the children after school and read extracurricular books together. From 2010, the After-School Volunteer Club also began working with Hsinchu's Renai Children's Home. Club members visit the home every Thursday and Friday. Starting from 2011, club members also provide adaptive instruction and assistance for students who do not (or do not plan to) go to a regular senior high school. The assistance is designed based on the student's interest and intended career path, helping the students pass occupational examinations with individual guidance. From 2011, with WNC's financial support, the Science Promotion Club of National Tsing Hua University has held science camps and science fun fairs during winter and summer vacations for junior and senior high school students. Club members are tasked with providing students the opportunity to take part in scientific experiments. WNC also offers students from disadvantaged families the chance to join science camps for free and helps subsidize similar activities in remote areas. Another plan has also been underway to provide a series of science promotion programs for an outlying school, Huashan Junior High School, located in Hengshan Township, Hsinchu County. **Assisting Social Welfare Groups** ■ In 2012, a number of social welfare groups were invited to set up vendor booths on WNC's premises at various times. Groups taking advantage of this offer included the Tzu Chi Foundation of Hualien, Children Are Us Foundation, and Hand-in-Hand Teen's Service Center. Total annual charity sales totaled NT$60,000. ■ WNC supported social welfare causes by purchasing products from charity	

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	organizations. In 2012, a Chensenmei Social Welfare Foundation product was chosen as WNC's Mid-Autumn Festival gift for its employees. WNC also gave gift coupons to Tsing Hua University's clubs and helped with the sale of St. Joseph Social Welfare Foundation's charity fun fair coupons. ■ A flea market was held in 2012 where WNC donated all proceeds and unsold merchandise to the Hsinchu Renai Children's Home (a child-care foundation based in Hsinchu). ■ WNC purchased charity lottery tickets in the amount of NT$100,000 for employees at the company year-end dinner party to bring fun and promote a spirit of social welfare at the party.	
4. Enhancing Information Disclosure (1) Methods of disclosure of relevant and reliable information relating to corporate social responsibility (2) The company produces a CSR report that discloses the status of CSR policy implementation.	**Information Disclosure** ■ Company Website Basic information of the company, product introductions, the Corporate Social Responsibility Report, activities, vacant positions, and financial performance—after verification by the manager of the relevant unit(s)—is posted on WNC's website, http://www.wnc.com.tw. The website is a resource for all related stakeholders and also offers corresponding points of contact to obtain more comprehensive information and services. ■ Activities In addition to participating in global professional exhibitions and seminars to introduce new technologies and products, WNC also attends investor conferences held by investment consultants, dealers, and institutional investors to share industry information. ■ News Release WNC utilizes appropriate channels and media to announce important information such as exhibitions, awards, financial updates, and company operations.	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	CSR (Corporate Social Responsibility) Report WNC's first CSR report describes the results of WNC's more than 10 years of operations since its establishment through expansion of its business scope and the combining of all Taiwan-based factories and offices into WNC's current headquarters in January, 2010. It describes its operating results as well as the results of its Environmental, Safety and Health (ESH) programs in combination with the results of WNC's social contributions. It allows all stakeholders to understand that, apart from investing in steady corporate and operational growth, WNC also continues to devote itself to the environment and to its social obligations. WNC's Marketing Center is responsible for production of the CSR report which is published in June of every year. A revised edition of this report is currently being prepared based on the G3.1 guidelines of the GRI (Global Report Initiative), which describes disclosure standards of related economic, environmental, and social performance indexes. This report covers the achievements of WNC with regard to operations, ESH management, and exercise of our social obligations. It reviews and explains the issues that stakeholders are concerned with and includes corporate governance, care for employees, green quality management, supply chain management, environmental protection, and social participation.	
5. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please describe any discrepancy between the principles and their implementation: To summarize the statements above, there is no notable discrepancy between their 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, such as systems and measures that the company has adopted with respect to environmental protection, community participation, social contributions, service to society, social and public welfare, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and their implementation status: All important information has been described as the statements above. For detailed information, please refer to WNC's CSR report at http://www.wnc.com.tw .		

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7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below:

Management System Certifications

- 1998: ISO 9001 Certification was awarded, and the system version is updated annually to maintain and improve related quality system operations.
- 2005: WNC obtained ISO/TS 16949 Certification and updated the system version annually to maintain and improve related quality system operations.
- 2005: ISO 14001:2004 was obtained, reflecting WNC's pursuit of continual improvement to achieve an optimal balance between profit and lower environmental impact.
- 2008: OHSAS 18001:2007 Certification was pursued and obtained in order to lower occupational health and safety risks as well as to prevent accidents and maintain a safe and healthy working environment.
- 2009: The Bureau of Health Promotion issued WNC its Healthy Workplace Accreditation Certification.
- 2010: WNC obtained Taiwan Training Quality System (TTQS) certification and was certified as an outstanding company for training quality in the Taoyuan/Hsinchu/Miaoli area.
- 2011: WNC obtained IECQ QC080000 certification and passed the ANSI/ESD S20.20-2007.

Product Certification:

To provide stakeholders with high-quality products and services, all WNC product materials and processes meet customer requirements and conform to international communication standards and environmental protection regulations such as FCC, Wi-Fi, RoHS, WEEE, REACH, and the EU Battery Directive. Lead-free and halogen-free processes are also implemented. When a certification requirement is raised by a customer, WNC sends the product for appropriate testing and obtains prompt certification.

4. Overview of Business Operations

4.1 Business Content

I. Business Scope

1. Main Business Services

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

2. Revenue Distribution

Revenue Distribution of Products in Categories

Unit: Thousand NT$

Year / Item	2012	
	Amount	Percentage (%)
Wireless communications products	30,358,497	94.57
Other	1,744,594	5.43
Total	32,103,091	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 Radio receiver systems
D. HD Radio receiver systems

(2) Mobile and handheld communication product series

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

G. Automotive 3G/Wi-Fi modules
H. Enterprise wireless routers

(3) Other wireless products
A. Automotive safety radars

4. New products under development

(1) Satellite communications product series
A. Satellite to IP receiver systems
B. Two-way satellite broadband communication systems
C. Advanced optical LNBFs

(2) Mobile and handheld communications product series
A. 4G broadband integrated access devices
B. IEEE 802.11ac routers
C. Advanced Smart TV STBs
D. Wireless home AV transmitters
E. 3G/4G small-cell equipment

(3) Other wireless products
A. High-end automotive safety radar product series

II. Industry Overview

1. Industry Development Trends and Current Market Status

In 2012, under the influence of the slow economic recoveries in America and Europe, market dynamics are still conservative, but 4G-related technologies are still being actively commercialized. Both brand-name owners and telecommunications operators have been eagerly providing mobile broadband networking services to emerging markets, thus pushing demand for products that are developed to increase the quality of network connectivity.
WNC has concentrated its attention on wireless 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. We believe the increase of the adoption of 4G technologies has boosted a new wave of sales and will describe some examples of this trend 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. In 2012, the Asian market has seen rapid growth while the South American market has been developing gradually. These two emerging regions are seen as having the highest growth potential. In the North American market, total pay TV users have surpassed 90 million, and DTH subscribers have exceeded 34 million. Driven by the pursuit of 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 demand and replace 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 steady growth rate. In the Latin American market, Brazil has exhibited the highest growth rate of users. With the benefit of no-hassle connecting cables, the DTH platform has kept its position as the most popular platform with the fastest-growing number of users.

(2) In the satellite broadcast market, SiriusXM generated outstanding performance results in 2012. With the current rebound in auto sales, subscribers have increased to over

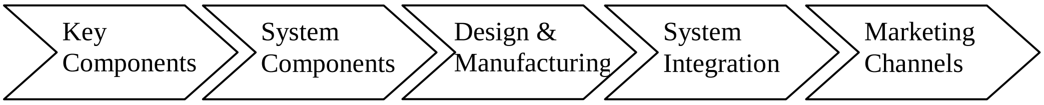
24 million, with primary business revenue coming from the pre-assembly OEM market. Following trends in mobile broadband, SiriusXM has actively developed new services with IP broadcasting functions and personalized features to respond to developments in global markets and to continuously integrate 4G technologies to diversify its business scope. All of these factors will have a positive and direct influence on increasing demand for various integrated satellite broadcasting products.

(3) Regarding the wireless WAN market, smartphones continued to flourish and competition between brands was intense. Under Google's active promotion, Android is still the most popular platform in the smartphone market. The continuous release of various models of smartphones has fulfilled the demand for smartphones of all prices from low to high and for all types of consumers. This has stimulated replacement of out-of-date feature phones, which helps smartphones retain high shipment volumes. IDC (International Data Corporation) estimates that in 2013 the quantity of smartphones shipped will surpass feature phones for the first time. The quantity of smartphones shipped in 2013 is estimated to be approximately 918 million, which will be around 50.1% of all mobile phones shipped worldwide.
In addition to smartphones, large tablet shipment volumes are also highly anticipated in 2013. After the iPad mini and Nexus 7 were released, consumers have experienced the convenience brought by 7-inch tablets. The estimated 240 million shipments of tablets will surpass the estimated 207 million shipments of notebook PCs. However, although increasingly sophisticated mobile devices offer users an ever-wider variety of new applications, they also place heavy demand on broadband resources necessitating the urgent upgrade of current networks. For this reason, global network operators are planning to replace current frequency bands and speed up the transition to 4G wireless network technology. As a whole, the growth and influence of the extremely broad mobile communications market is expected to spur further development within the wireless communications industry and have a great impact on the future of the ICT industry.

(4) Wi-Fi is now a required feature of smartphones and tablets for consumers. As a result, network operators have begun providing Wi-Fi services, which causes network devices to become more diversified. Rising demand for mobile audio and video services caused the upgrade of Wi-Fi from IEEE 802.11n to IEEE 802.11ac and wireless transmission speed to upgrade to the gigabit level. The first IEEE 802.11n AP Router was released in the fall of 2012, announcing that the era of IEEE 802.11ac has arrived. The growing demand for AV streaming stimulated the creation of IEEE 802.11ad with theoretical speeds up to 7 Gigabits. At these speeds, compression when transferring AV files is not required, and therefore may increase the AV quality and help diversify network communications devices. As for mobile devices, despite the Wi-Fi technology for smartphones and tablets, MIC has predicted that Wi-Fi will also be a feature of digital cameras due to online social networking and other related applications with a penetration rate expected to be 40% in 2016. With the trends moving toward the creation of the digital home, large connected or "Smart TV" vendors such as Samsung, LG, and Sony were very ambitious in installing Wi-Fi into their products in 2012, and the installation rate in 2016 is expected to be 40%. Terminal devices in a home network, such as SOHO routers, are almost 100% Wi-Fi–compatible. Others, such as cable modems and DSL CPEs, also have a higher Wi-Fi capability rate because more network operators provide Wi-Fi services. This trend is especially noticeable in cable modems, with Wi-Fi capability rates dramatically increasing from 37.5% in 2011 to 65% within only one year. The Wi-Fi capability rates for Cable Modems and DSL CPEs is expected to increase to 86% and 95%, respectively. WLAN capability is appearing across the spectrum of electronic devices, and 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.



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, operators and household electric appliance manufacturers have made great strides in the development of digital home–related applications and services, and the competition in residential TV service markets has become fiercer and fiercer among telecom, TV, and network media service providers. With these firms' devotion and promotion, IP video services and integration of the mobile device and television has become a dominant subject in marketing, with digital home high-definition interactive video services being gradually accepted by consumers. Additionally, home security and intelligent control is one of the market's next critical targets for providing seamless services and well-functioning and compatible household products with the integration of cloud, network, and terminal devices using multiple wireless communication technologies. Some of these technologies include Wi-Fi, BT, ZigBee, and Z-Wave, which are all experiencing severe competition among European and American operators. 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 optical LNB) 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 mobile broadband technology, and the appearance of multiple-application services and platforms; various ingenious mobile devices and products used in industrial environments and infrastructure are gradually gaining new opportunities in the market depending on wireless broadband and the open Android platform. 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 experienced explosive growth globally in 2012. Its bandwidth limits have reached 100 Mbps and is moving toward the 1-Gbps mark. 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 with bandwidth growth and has become a heavy burden on operations. Operators have thus turned to the implementation of the new small cell marketing opportunities. With wide-range deployment of low cost small cell and accurate grid configuration, this promises a better balance between cost and quality and avoids the cost recovery challenges associated with the 3G era. 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, our company sees great potential in staking out a key position in this emerging market.

III. Technology Research and Development

1. Research & development expenditures during the last fiscal year and the current fiscal year up to March 31, 2012.

Unit: Thousand NT$

Year	2012	Up to Mar. 31, 2013
R&D expenditures	1,287,616	321,396
Percentage of total revenue	4.01%	4.38%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or Product
2012	1. Optical LNBFs 2. Digital single-cable HD satellite-TV receiver product series

(2) Mobile and handheld communications product series

Year	Technology or Product
2012	1. 4G indoor and outdoor broadband network terminal devices 2. Power line communication (PLC) products for home networks 3. Enterprise-grade wireless routers 4. Smart TV STBs 5. Home AV network bridges

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

1. Short-term business development plans

(1) Marketing Strategy

Focusing on technology-oriented ODM services, WNC sets short-term goals to fully understand and cooperate with all major system operators, channel operators and branding companies in corresponding sales regions, and improve its interaction with distributors, aiming at establishing 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, and release reliable financial reports and complying with corresponding laws and regulations. By taking all these actions, WNC aims to ensure the profit levels, performance standards, and asset security of the company.

B. Enhance Product Research and Development

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

C. Proactively Establishing Economies of Scale

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

(3) Operational Scale in Cooperation with Financial Policy

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

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

4.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2011 Amount	2011 Percentage of revenue	2012 Amount	2012 Percentage of revenue
Export Sales	Americas	15,597,901	49%	17,088,933	53%
	Asia	9,227,595	29%	9,002,090	28%
	Europe	1,801,222	6%	2,466,500	8%
	Others	130,290	0%	116,509	0%
	Total	26,757,008	84%	28,674,032	89%
Domestic Sales		5,134,983	16%	3,429,059	11%

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 one-cable LNBs for signal receiving from multiple satellites. Although facing price competition from competitors, WNC still delivers remarkable performance in the marketplace and has maintained a steady growth rate.

In the embedded notebook antenna market, WNC is renowned for its specialized capabilities in notebook antenna design and for obtaining the trust of its customers. WNC has successfully developed LDS technology for antenna design and manufacturing, which is essential for assisting in the design of ultra-thin products. It has also become a primary supplier of leading smartphone brands. WNC is expected to maintain a high growth rate as a result of recent trends in multi-network integration.

3. Future market status and growth potential

(1) Satellite communication 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 170 channels of HD programming. Upgrading of services stimulates demand for HD receiving equipment as well as replacement of out-of-date receiving devices. In addition, many countries have started to recall frequency bands originally utilized by analog TV. These actions encourage former users to turn to new services, ultimately bringing benefits to satellite markets. The rapid growth of the Asian and South American markets together with strong demand for high-quality satellite receiving equipment at a low price and the strong demand for IP satellite receivers suggest that the entire DTH market will develop in a virtuous cycle through the near future.

(2) Mobile and handheld devices
Mobile devices including smartphones and tablets experienced strong growth in 2012 and drove growth in shipments of mobile phone antennas and other mobile phone components. Tablet shipments surpassed notebook PC shipments, confirming an era of mobile

computing. With the decreasing cost of mobile broadband and in the face of the next few years trend of strong growth impetus in smartphones, cross-industry product service integration will be the next emerging application mode. For example, in the field of telematics, the ability to transfer driving data and OBD breakdown messages from the engine control unit to a handheld device means the consumer can—at any time—access the OBDII (On-Board Diagnostics II) system to know his or her vehicle status. Another example is to receive real-time reports of electricity data sent from smart meters.

A variety of network applications have also clearly demonstrated the concept of the digital home. From STB, NAS, IP Radio, IAD (Integrated Access Devices), to traditional home appliances—many devices have begun adding internet connectivity and functionality. Boundaries between consumer electronic products are becoming increasingly blurred, while the trend of sharing and integrating platforms has become more obvious. For telecom operators, the key to entering the digital home market lies in how to plan a quadruple-play marketing and sales strategy for the 4 screens (television, computer, mobile phone, and tablet PC). The key element to make the digital home trend popular is to successfully guide users in this new era of the All-IP Network.

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 system

WNC devotes itself to product quality management. It not only has been awarded international certifications such as ISO 9001, ISO/TS 16949, IECQ QC080000, and ANSI/ESD S20.20, but also continues to implement Six Sigma and Business Process Improvement (BPI) projects in order to provide the highest quality product and service 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 are 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. Apple's iPod, among other products, has lead to a storm of digital music, and subscribers to the primary satellite radio service provider (Sirius XM) in the U.S., which is the entire American market, is experiencing steady growth. In addition, Sirius XM has achieved service penetration in different communication media formats, increasing user loyalty and opportunities to maintain contact with users.

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

B. The wireless communications era is here.

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

C. Trends in highly integrated networks and mobile devices

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

(2) Unfavorable factors

A. Domestic software talent shortage

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

Response measures:

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

B. Operational costs have increased

The price of oil continues to rise. The cost of raw materials has increased sharply, while labor costs in mainland China have risen due to local regulations. All of these factors have put great pressure on the entire manufacturing industry regarding the cost of materials and manufacturing. In 2012, the economic situation in the US and Europe has had a considerable effect on the global economy and industry operations. While the European debt crisis is temporarily resolved, risk is still present, and uncertainties exist which may or may not have a direct or indirect influence on the operations and profit-earning ability of the company.

Response measures:

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

C. Exchange rate fluctuations influence company profits

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

Response measures:

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

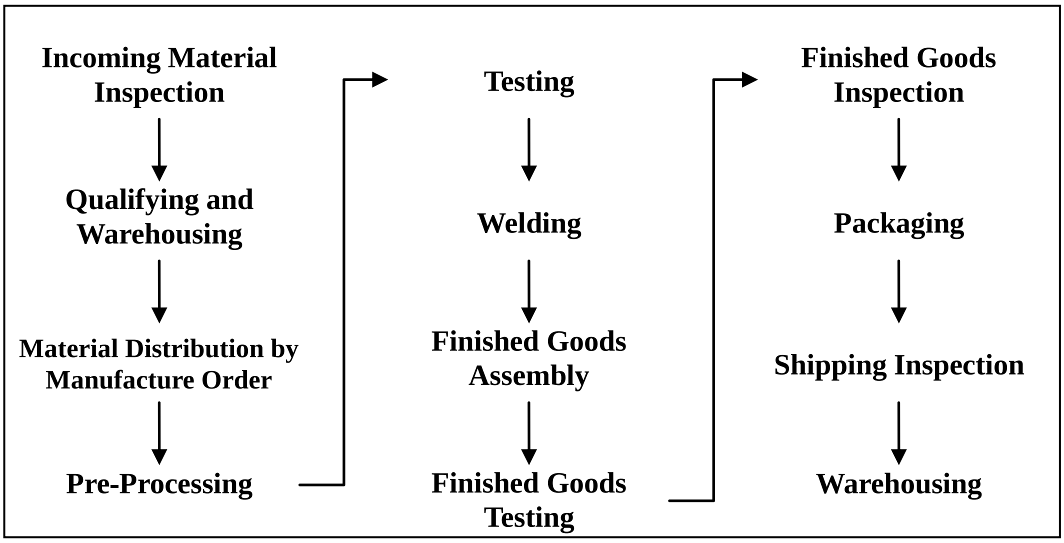
II. Primary Applications of Major Products and Production Processes

1. Primary Applications

	Satellite Communications Product Series	**Mobile and Handheld Devices**
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	WLAN Networks: The GSM protocol for WAN wireless communications formulated by the CEPT (European Conference of Postal and Telecommunications Administrations) in 1982 has now been widely accepted by the global telecom market and has gradually adopted advanced standards with higher bandwidths, wider coverage, and low power consumption. It has evolved from the 2G and 2.5G standards (which focused on voice communication) to 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 and from 2010 onwards have rapidly entered the market with the deployment of LTE services.

	Satellite Communications Product Series	**Mobile and Handheld Devices**
	several gigabits, and throughput is far greater than ordinary communications technologies.	<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 is expected to develop at a rapid pace. In addition, this may form a new industry structure and generate competition among highly integrated terminal devices, revolutionizing the entire telecom industry. <u>Broadband Networks (IEEE 802.11X):</u> The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on IEEE 802.11 standards. IEEE 802.11 standards support long transmission distances and high data rates. At present, products conforming to IEEE 802.11a/b/g/n have a data rate of 600 Mbps 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 in the Past Two Years

1. Key Buyers

Unit: Thousand NT$

	2011				2012			
	From	**Amount**	**Percentage of Total Net Purchasing (%)**	**Relationship with Wistron NeWeb**	**From**	**Amount**	**Percentage of Total Net Purchasing (%)**	**Relationship with Wistron NeWeb**
1	NUSA	10,940,681	34.31	Subsidiary of the Company	NUSA	10,323,865	32.16	Subsidiary of the Company
2	FHT	3,227,414	10.12	-	-	-	-	-
3	Other	17,723,896	55.57	-	Other	21,779,226	67.84	-
	Total	31,891,991	100.00	-	Total	32,103,091	100.00	-

2. Key Suppliers

Unit: Thousand NT$

	2011				2012			
	From	**Amount**	**Percentage of Total Net Purchasing (%)**	**Relationship with Wistron NeWeb**	**From**	**Amount**	**Percentage of Total Net Purchasing (%)**	**Relationship with Wistron NeWeb**
1	NQJ	18,045,105	62.46	Subsidiary of the Company	NQX	12,568,721	43.84	Subsidiary of the Company
2					NQJ	6,741,065	23.51	Subsidiary of the Company
3	Other	10,847,463	37.54	-	Other	9,362,587	32.65	-
	Total	28,892,568	100.00	-	Total	28,672,373	100.00	-

V. Production Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2011			2012		
	Capacity	**Quantity**	**Value**	**Capacity**	**Quantity**	**Value**
Wireless Communication Products	32,000,000	31,269,857	6,527,997	17,000,000	16,196,106	5,360,370
Other	0	0	0	0	0	0
Total	32,000,000	31,269,857	6,527,997	17,000,000	16,196,106	5,360,370

VI. Sales Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Sales Value / Major Product	2011				2012			
	Domestic		**Export**		**Domestic**		**Export**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Wireless Communication Products	34,312,696	4,024,353	69,546,805	26,161,749	18,385,179	2,451,297	94,750,363	27,907,201
Other	0	1,110,630	0	595,259	0	977,763	0	766,831
Total	34,312,696	5,134,983	69,546,805	26,757,008	18,385,179	3,429,059	94,750,363	28,674,032

4.3 Taiwan Employee Data for the Past Two Years

Year		2011	2012
Number of Employees	Sales	191	165
	R&D	580	646
	Manufacturing	249	239
	Administration	227	259
	Direct Labor	756	674
Total		2,003	1,983
Average Age		33.97	35.00
Average Years of Service		4.1	4.7

4.4 Environmental Protection Measures

1. WNC's business belongs to a technology-intensive industry of research and development. Since our manufacturing processes only include SMT (Surface Mount Technology), precision assembly, testing, and R&D; waste gases, waste water, undesirable noise, toxic substances, or other pollutants are rarely generated. In addition, except for CO_2 emitted due to power consumption, there are no other air pollutants generated such as NOX or SOX. As for 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 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 14001:2004 Environmental Management System certification.
2. Total losses and fines for environmental pollution in the two most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report: The Company 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: The expected environmental expense for pollution control, energy conservation, and carbon reduction totals approximately NT$2.90 million.

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5. Financial Standing

5.1 Most Recent 5-Year Concise Financial Information

5.1.1 Balance Sheet (Financial accounting standards in Taiwan)

Unit: Thousand NT$

Item \ Period		Most Recent 5-Year Financial Information				
		2008	2009	2010	2011	2012
Current assets		7,929,401	7,201,142	10,155,058	12,241,933	11,780,163
Fund and long-term equity investments		1,357,992	1,905,875	2,890,746	3,850,079	3,834,822
Net property, plant, and equipment		958,430	1,617,820	2,006,356	2,040,883	1,727,002
Intangible assets		40,825	27,541	36,874	42,537	51,940
Other assets		204,125	196,385	226,348	204,780	519,462
Total assets		10,490,773	10,948,763	15,315,382	18,380,212	17,913,389
Current liabilities	Before distribution	4,509,288	4,251,420	7,044,237	7,288,106	6,658,679
	After distribution	4,741,003	4,698,067	7,997,362	8,300,135	Note
Corporate bonds payable		0	0	0	1,434,637	1,460,882
Other liabilities		13,448	68,409	146,067	309,073	306,201
Total liabilities	Before distribution	4,522,736	4,319,829	7,190,304	9,031,816	8,425,762
	After distribution	4,754,451	4,766,476	8,143,429	10,043,845	Note
Common stock		2,367,151	2,521,711	2,735,335	2,899,106	3,045,415
Capital surplus		1,426,106	1,491,320	1,727,300	1,954,973	2,051,579
Retained earnings	Before distribution	2,281,129	2,755,180	3,733,448	4,353,702	4,325,357
	After distribution	1,933,557	2,184,464	2,644,162	3,197,097	Note
Unrealized gain (loss) of financial instruments		11,789	12,614	2,347	4,572	8,314
Translation adjustments and other equity adjustments		95,883	62,130	(73,352)	136,043	56,962
Stockholders' equity	Before distribution	5,968,037	6,628,934	8,125,078	9,348,396	9,487,627
	After distribution	5,736,322	6,182,287	7,171,953	8,336,367	Note

Note: The resolution for earnings distribution for Year 2012 has not yet been approved at the Shareholders' Meeting. The distribution numbers are tentatively listed.

Balance Sheet

Item \ Period		For the year ending March 31, 2013
Current assets		15,385,315
Property, plant, and equipment		4,753,267
Intangible assets		44,525
Other assets		760,027
Total assets		20,943,134
Current liabilities	Before distribution	9,313,642
	After distribution	-
Non-current liabilities		1,808,999
Total liabilities	Before distribution	11,122,641
	After distribution	-
Equity attributable to parent company		9,820,493
Common stock		3,046,878
Capital surplus		2,056,628
Retained earnings	Before distribution	4,701,360
	After distribution	-
Other equity		15,627
Treasury stock		-
Non-controlling interest		-
Equity	Before distribution	9,820,493
	After distribution	-

Source: Consolidated financial statements audited by a CPA
Note: WNC will adopt IFRS for financial statements from 2013.

5.1.2 Concise Income Statement (Financial accounting standards in Taiwan)

Unit: Thousand NT$

Item \ Period	Most Recent 5-Year Financial Information				
	2008	2009	2010	2011	2012
Operating revenue	17,628,377	13,270,807	25,861,117	31,891,991	32,103,091
Gross profit	2,737,333	2,360,697	3,599,900	3,861,174	3,813,773
Operating income	871,724	697,955	1,276,249	1,267,413	1,352,885
Non-operating income	155,996	388,080	784,591	870,397	168,440
Non-operating expenses	102,534	15,631	148,514	27,267	128,411
Income from continuing operations before income taxes	925,186	1,070,404	1,912,326	2,110,543	1,392,914
Net income for continuing operations	721,645	821,623	1,548,984	1,709,540	1,128,260
Net income	721,645	821,623	1,548,984	1,709,540	1,128,260
EPS	3.11	3.35	5.92	5.98	3.72

Concise Income Statement

Unit: Thousand NT$

Item \ Period	For the year ending March, 31 2013
Operating revenue	8,049,661
Gross profit	1,092,597
Operating income	307,946
Non-operating income and expenses	50,487
Net profit before taxes	358,433
Continuing operations' income for the period	358,433
Losses from discontinued operations	-
Net income (loss)	279,109
Other comprehensive income for the period (net after-tax)	86,396
Total comprehensive income for the period	365,505
Net income to parent's shareholders	279,109
Net income to non-controlling interests	-
Total comprehensive income to parent's shareholders	365,505
Total comprehensive income to non-controlling interests	-
EPS	0.92

Source: Consolidated financial statements audited by a CPA
Note: WNC will adopt IFRS for financial statements from 2013.

5.1.3 CPA Opinions in the Most Recent 5 Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
2008	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unqualified opinion with an explanatory paragraph
2009	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved
2010	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved
2011	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved
2012	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unreserved

5.2 Most Recent 5-Year Financial Analysis

5.2.1 Financial Analysis (Financial accounting standards in Taiwan)

Item \ Period			Most recent 5-Year Financial Information				
			2008	2009	2010	2011	2012
Liquidity ratios (%)	Total liabilities to total assets		43.11	39.45	46.95	49.14	47.04
	Long-term debts to fixed assets		624.09	413.97	412.25	528.35	633.96
Debt ratios (%)	Current ratio		175.85	169.38	144.16	167.97	176.91
	Quick ratio		159.08	153.93	129.1	156.18	158.13
	Interest coverage ratio		14.40	79.56	139.63	78.51	34.19
Activity ratios	A/R turnover (times)		4.20	3.84	5.7	4.81	4.82
	A/R turnover days		87	95	64	76	76
	Inventory turnover (times)		17.43	16.36	27.1	30.34	27.83
	Accounts payable turnover (times)		6.03	5.58	7.87	6.71	7.08
	Days sales outstanding		21	22	13	12	13
	Fixed assets turnover (times)		18.39	8.20	12.89	15.63	18.59
	Total assets turnover (times)		1.68	1.21	1.69	1.74	1.79
Earnings ability	Return on assets (%)		7.18	7.76	11.88	10.28	6.41
	Return on equity (%)		12.21	13.04	21	19.57	11.98
	Paid-in capital ratio (%)	Operating income	36.83	27.68	46.66	44.27	44.52
		PBT	39.08	42.45	69.91	73.72	45.84
	Net income ratio (%)		4.09	6.19	5.99	5.36	3.51
	EPS (NT$)		3.11	3.35	5.92	5.98	3.72
Cash flow (%)	Cash flow ratio		36.29	31.93	7.62	19.04	12.77
	Cash flow adequacy ratio		145.77	170.25	117.02	111.29	87.84
	Cash reinvestment ratio		17.53	14.42	0.95	3.5	Note
Leverage	Operating leverage		1.51	1.14	1.29	1.26	1.19
	Financial leverage		1.09	1.02	1.01	1.02	1.03

Source: Consolidated financial statements audited by a CPA

Financial Analysis

Item	Period	For the year ending March 31, 2013
Financial ratio (%)	Total liabilities to total assets	53.11
	Long-term debts to property, plant, and equipment	237.48
Ability to pay off debt (%)	Current ratio	165.19
	Quick ratio	130.39
	Interest coverage ratio	22.57
Ability to operate	A/R turnover (times)	5.65
	A/R turnover days	65
	Inventory turnover (times)	8.54
	Accounts payable turnover (times)	6.11
	Days sales outstanding	43
	Property, plant, and equipment turnover (times)	6.77
	Total assets turnover (times)	1.54
Earnings ability	Return on assets (%)	5.60
	Return on equity (%)	11.59
	Paid-in capital ratio (%) — Operating income	40.51
	Paid-in capital ratio (%) — PBT	47.16
	Net income ratio (%)	3.47
	EPS (NT$)	0.92
Cash flow (%)	Cash flow ratio (%)	6.59
	Cash flow adequacy ratio (%)	Note
	Cash reinvestment ratio (%)	4.14
Leverage	Operating leverage	1.81
	Financial leverage	1.06

Source: Consolidated financial statements audited by a CPA

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

5.3 2012 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2012 Business Report and Financial Statements, including the Balance Sheet, Statements of Income, Statements of Changes in Stockholder' Equity, and Statements of Cash Flows and the profit allocation proposal. The Audit Committee of Wistron NeWeb Corporation has reviewed and determined the above to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation, 2013 General Shareholders' Meeting

Audit Committee convened by: Morgan Chang

March 20, 2013

5.4 Financial Reports

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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, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 auditing standards generally accepted in the Republic of China and the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting standards generally accepted in the Republic of China.

KPMG

March 20, 2013

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 financial statements are those generally accepted and applied in the Republic of China.

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

Wistron NeWeb Corporation

Consolidated Balance Sheets

December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

Assets		2012 Amount	%	2011 Amount	%
Current assets:					
Cash (note 4(a))	$	4,643,375	22	3,850,326	17
Available-for-sale financial assets－current (note 4(b))		1,386,090	7	1,570,394	7
Notes and accounts receivable, net (note 4(c))		5,275,904	25	6,512,101	30
Receivables from related parties (note 5)		206,950	1	159,229	1
Other financial assets－current (note 4(o))		173,745	1	25,830	-
Inventories, net (note 4(d))		3,336,250	16	3,958,287	18
Other current assets		183,337	1	335,392	2
Net deferred income tax－current (note 4(n))		100,233	1	85,238	-
Total current assets		15,305,884	74	16,496,797	75
Funds and investments (note 4(e)):					
Long-term investments under equity method		112,923	1	108,916	1
Financial assets carried at cost－non-current		79,932	-	79,932	-
Other financial assets－non-current		8,924	-	7,975	-
Total funds and investments		201,779	1	196,823	1
Property, plant and equipment:					
Buildings		3,003,277	15	2,944,000	14
Machinery and equipment		3,577,408	17	3,183,834	14
Research and development equipment		551,982	3	499,165	2
Other equipment		505,423	2	467,155	2
		7,638,090	37	7,094,154	32
Less: accumulated depreciation		3,241,832	16	2,863,278	13
Construction in progress and prepayments for equipment		61,687	-	266,948	1
Net property, plant and equipment		4,457,945	21	4,497,824	20
Intangible assets (note 4(f))		129,530	1	125,913	1
Other assets:					
Assets leased to others (note 4(h) and 8)		282,178	1	288,676	1
Deferred charges (note 4(g))		305,315	2	373,894	2
Prepaid pension assets (note 4(i))		33,313	-	30,453	-
Others assets－other (note 4(c))		50,827	-	-	-
Total other assets		671,633	3	693,023	2
Total assets	$	20,766,771	100	22,010,380	100

Liabilities and Stockholders' Equity		2012 Amount	%	2011 Amount	%
Current liabilities:					
Short-term loans (note 4(j))	$	3,267,160	16	3,415,489	16
Notes and accounts payable		4,210,500	20	5,128,189	23
Payables to related parties (note 5)		77,569	-	79,638	-
Accrued expenses		685,266	3	834,691	4
Salary and wages payable		776,211	4	1,014,430	5
Other current liabilities		495,355	3	445,837	2
Total current liabilities		9,512,061	46	10,918,274	50
Bonds payable (note 4(k))		1,460,882	7	1,434,637	6
Net deferred income tax liability－non-current (note 4(n))		306,201	1	309,073	1
Total liabilities		11,279,144	54	12,661,984	57
Stockholders' equity (notes 4(l)):					
Common stock		3,038,496	15	2,862,886	13
Advance receipts for common stock		6,919	-	36,220	-
Capital surplus		2,051,579	10	1,954,973	9
Retained earnings:					
Legal reserve		992,904	5	821,950	4
Special reserve		-	-	71,005	-
Unappropriated earnings		3,332,453	16	3,460,747	16
Total retained earnings		4,325,357	21	4,353,702	20
Other stockholders' equity:					
Cumulative translation adjustments		56,962	-	136,043	1
Unrealized gains on financial assets		8,314	-	4,572	-
Total other stockholders' equity		65,276	-	140,615	1
Total stockholders' equity		9,487,627	46	9,348,396	43
Commitments and contingencies (note 7)					
Total liabilities and stockholders' equity	$	20,766,771	100	22,010,380	100

See accompanying notes to consolidated financial statements.

1.1.1

Wistron NeWeb Corporation

Consolidated Statements of Income

For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012 Amount	2012 %	2011 Amount	2011 %
Sales	$ 33,991,113	99	33,541,748	99
Less: Sales returns and allowances	48,976	-	115,120	1
Net sales	33,942,137	99	33,426,628	98
Service income	492,382	1	555,486	2
Total sales and service income (note 5)	34,434,519	100	33,982,114	100
Cost of goods sold (notes 4(d), 4(f), 4(i), 5 and 8)	29,752,874	86	28,695,928	84
Gross profit	4,681,645	14	5,286,186	16
Operating expenses (notes 4(f), 4(i), 5 and 8):				
Selling	1,247,859	4	1,302,424	4
General and administrative	557,074	2	443,655	1
Research and development	1,392,043	4	1,454,168	5
Total operating expenses	3,196,976	10	3,200,247	10
Operating income	1,484,669	4	2,085,939	6
Non-operating income and gains:				
Interest revenue	37,024	-	25,686	-
Investment gain recognized by equity method (note 4(e))	6,773	-	6,380	-
Foreign exchange gain, net	-	-	124,951	1
Other income (note 4(h), 4(o) and 8)	80,772	-	82,954	-
Total non-operating income and gains	124,569	-	239,971	1
Non-operating expenses and losses:				
Interest expense (note 4(k))	100,712	-	96,222	-
Foreign exchange loss, net	51,623	-	-	-
Other loss (note 4(o))	21,918	-	566	-
Total non-operating expenses and losses	174,253	1	96,788	-
Income before income tax	1,434,985	4	2,229,122	7
Income tax expense (note 4(n))	306,725	1	519,582	2
Net income	$ 1,128,260	3	1,709,540	5

	2012 Income before income tax	2012 Net income	2011 Income before income tax	2011 Net income
Earnings per share (note 4(m)) (New Taiwan dollars):				
Basic earnings per share－retroactively adjusted	$ 4.59	3.72	7.03	5.70
Diluted earnings per share－retroactively adjusted	$ 4.34	3.52	6.58	5.33

Wistron NeWeb Corporation

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011

(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other stockholders' equity		
	Common stock	Advance receipts for common stock	Capital surplus	Legal reserve	Special reserve	Unappro-priated earnings	Cumulative translation adjustments	Unrealized gains on financial assets	Total
Balance as of January 1, 2011	$ 2,682,640	52,695	1,727,300	667,052	-	3,066,396	(73,352)	2,347	8,125,078
Appropriation of earnings (note 1):									
Legal reserve	-	-	-	154,898	-	(154,898)	-	-	-
Special reserve	-	-	-	-	71,005	(71,005)	-	-	-
Cash dividends	-	-	-	-	-	(953,125)	-	-	(953,125)
Stock dividends	136,161	-	-	-	-	(136,161)	-	-	-
Exercising of employee stock options for common stock	44,085	(16,475)	153,513	-	-	-	-	-	181,123
convertible bonds issued	-	-	74,160	-	-	-	-	-	74,160
Unrealized gains on financial assets	-	-	-	-	-	-	-	2,225	2,225
Net income for 2011	-	-	-	-	-	1,709,540	-	-	1,709,540
Cumulative translation adjustment	-	-	-	-	-	-	209,395	-	209,395
Balance as of December 31, 2011	2,862,886	36,220	1,954,973	821,950	71,005	3,460,747	136,043	4,572	9,348,396
Appropriation of earnings (note 2):									
Legal reserve	-	-	-	170,954	-	(170,954)	-	-	-
Cash dividends	-	-	-	-	-	(1,012,029)	-	-	(1,012,029)
Stock dividends	144,576	-	-	-	-	(144,576)	-	-	-
Reversal of special reserve	-	-	-	-	(71,005)	71,005	-	-	-
Exercising of employee stock options for common stock	31,034	(29,301)	96,606	-	-	-	-	-	98,339
Unrealized gains on financial assets	-	-	-	-	-	-	-	3,742	3,742
Net income for 2012	-	-	-	-	-	1,128,260	-	-	1,128,260
Cumulative translation adjustment	-	-	-	-	-	-	(79,081)	-	(79,081)
Balance as of December 31, 2012	**$ 3,038,496**	**6,919**	**2,051,579**	**992,904**	**-**	**3,332,453**	**56,962**	**8,314**	**9,487,627**

Note 1: Remuneration to directors and employees' bonuses in the amount of $13,941 and $278,817, respectively, totaling $292,758, had been charged against earnings of 2010.

Note 2: Remuneration to directors and employees' bonuses in the amount of $15,386 and $307,717, respectively, totaling $323,103, had been charged against earnings of 2011.

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	$ 1,128,260	1,709,540
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (included depreciation of assets leased to others)	696,753	699,502
Amortization	286,490	204,827
Provision for (reversal of) doubtful accounts and for sales returns and allowances, net	(301)	51,417
Amortization of discount on bonds payable	26,245	14,092
Provision for inventory obsolescence and devaluation loss	67,621	196,043
Investment gain recognized by equity method	(6,773)	(6,380)
Loss (gain) on disposal of property, plant and equipment	183	(3,488)
Gain on disposal of investment	(7,390)	(4,559)
Deferred income tax expense (benefit)	(1,669)	144,352
Adjustment for other non-cash-related losses, net	36,504	26,723
Change in operating assets and liabilities:		
Notes and accounts receivable	1,236,498	(1,131,678)
Receivable from related parties	(47,721)	(4,401)
Inventories	554,416	(1,080,813)
Prepaid pension assets	(2,860)	(2,511)
Other current assets	4,140	(147,288)
Other assets－other	(50,827)	-
Notes and accounts payable	(917,689)	201,727
Payables to related parties	(2,069)	4,206
Accrued expenses and other current liabilities	(327,464)	639,899
Net cash provided by operating activities	2,672,347	1,511,210
Cash flows from investing activities:		
Purchase of available-for-sale financial assets－current	(1,440,199)	(3,338,700)
Proceeds from disposal of available-for-sale financial assets－current	1,635,637	2,095,313
Acquisition of property, plant and equipment	(757,937)	(1,088,753)
Proceeds from disposal of property, plant and equipment	371	4,796
Increase in deferred charges	(152,977)	(172,427)
Increase in intangible assets	(81,758)	(77,100)
Increase in other financial assets－non-current	(949)	(1,303)
Net cash used in investing activities	(797,812)	(2,578,174)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(148,329)	129,285
Payment of cash dividends	(1,012,029)	(953,125)
Proceeds from exercise of employee stock options	98,339	181,123
Issuance of convertible bonds	-	1,494,705
Net cash provided by (used in) financing activities	(1,062,019)	851,988
Effect of exchange rate changes	(19,467)	90,210
Net increase (decrease) in cash	793,049	(124,766)
Cash at beginning of year	3,850,326	3,975,092
Cash at end of year	$ 4,643,375	3,850,326
Supplemental disclosure of cash flow information:		
Interest paid	$ 73,656	82,837
Income tax paid	$ 241,071	425,307
Cash paid for purchase of property, plant and equipment:		
Acquisition of property, plant and equipment	$ 747,275	1,101,784
Decrease (increase) in payables	10,662	(13,031)
	$ 757,937	1,088,753

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

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

(1) Organization

Wistron NeWeb Corporation (the Company) was founded in Hsinchu, Republic of China (ROC), on December 7, 1996. The Company is engaged 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. The Company's common shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

The consolidated financial statements include the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the "Consolidated Companies").

As of December 31, 2012 and 2011, the Consolidated Companies had 9,454 and 8,178 employees, respectively.

(2) Summary of Significant Accounting Policies

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

The consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting standards generally accepted in the ROC. The significant accounting policies adopted in preparing the accompanying consolidated financial statements are summarized as follows:

(a) The consolidated subsidiaries are summarized as follows:

Name of Investor	Name of Subsidiary	Business	Percentage of the ownership at December 31, 2012	2011
the Company	ANC Holding Corp. (ANCH)	Sales of wireless communication and electronic components products	100%	100%
the Company	NeWeb Holding Corp. (NEWH)	Holding company	100%	100%

(Continued)

Name of Investor	Name of Subsidiary	Business	Percentage of the ownership at December 31, 2012	2011
the Company	WNC Holding Corp. (WNCH)	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%	-
NEWH	WNC (Kunshan) Corp. (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Co., Ltd. (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corp. (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Service (Kunshan) Corp. (NQC)	Services for satellite communication and portable communication products	100%	100%

(b) The details of changes in subsidiaries included in the consolidated financial statements:

The Company invested in NDE in February 2012, and it was included in the consolidated financial statements since the inception.

(c) Consolidation policies

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company directly or indirectly owns greater than 50 percent of the subsidiary's voting shares and is able to exercise control over the subsidiary's operations and financial policies. All significant inter-company transactions among the Consolidated Companies are eliminated in consolidation.

(Continued)

(d) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(e) Foreign currency transactions and translation

The Company and its subsidiaries record transactions in their respective functional currency. Foreign currency transactions are recorded at the exchange rates prevailing at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing on that date. The resulting exchange gains or losses from settlement of such transactions or translations of monetary assets and liabilities are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into New Taiwan dollars at the foreign exchange rates ruling at the dates the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, then the resulting unrealized exchange gains or losses from such translations are recorded in current profit or loss. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, then the resulting unrealized exchange gains or losses from such translations are recorded as a separate component of stockholders' equity.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity, which is translated at historical cost rates, and revenue, costs, and expenses, which are translated at the average exchange rates during the reporting period. Translation differences resulting from the translation of such financial statements into New Taiwan dollars are recorded as translation adjustment, a separate component of stockholders' equity.

(f) Principles of classifying assets and liabilities as current and non-current

Cash or cash equivalents that are not restricted in use, assets held for the purpose of trading, and assets that will be held for a short time period and are expected to be converted to cash within 12 months from the balance sheet date are recorded as current assets; all other assets are recorded as non-current assets.

Liabilities that are expected to be liquidated within 12 months after the balance sheet date are recorded as current liabilities; all other liabilities are recorded as non-current liabilities.

(Continued)

(g) Asset impairment

In accordance with SFAS No. 35 “Impairment of Assets”, the Consolidated Companies assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the asset. The Consolidated Companies recognize impairment loss for an asset whose carrying value is higher than the recoverable amount. The Consolidated Companies reverse an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the asset assuming no impairment loss was recognized in prior periods.

The Consolidated Companies assess the cash-generating unit to which goodwill is allocated on an annual basis and recognize an impairment loss on the excess of carrying value over the recoverable amount.

(h) Financial instruments

1. Financial assets at fair value through profit or loss

   Financial assets at fair value through profit or loss are held with the intention of buying and selling them in a short period of time. Except for those that the Consolidated Companies hold for hedging purposes and are considered to be effective hedging instruments, financial derivatives are classified into this account. The derivatives are measured at fair value, subsequently, with changes in fair value recognized in earnings. Transaction costs are recorded as expenses.

2. Available-for-sale financial assets

   Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets carried at cost

   Unlisted stocks without reliable market prices are measured at cost. When objective evidence of impairment exists, the Company recognizes an impairment loss, which cannot be reversed in subsequent periods.

(Continued)

4. Notes receivable, accounts receivable, and other receivables

Notes and accounts receivable are amounts owed to a business by a customer as a result of a purchase of goods or services from it on a credit basis. Other receivables are any receivable not properly classified in another receivable category.

The Consolidated Companies first assess as of the balance sheet date whether objective evidence of impairment exists for notes and accounts receivable and other receivables that are individually significant. For notes and accounts receivable and other receivables other than those mentioned above, the Consolidated Companies groups those assets with financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has occurred, the amount of impairment loss is assessed individually. However, if the impairment loss has been assessed individually, the impairment loss for the group of financial assets does not need to be further assessed.

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 asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. The estimation of future cash flows includes the collectability of collateral and related insurance.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized through profit or loss. The reversal shall not result in a carrying amount of financial assets that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

(i) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The difference between standard cost and actual cost is recognized as cost of sales.

(j) Long-term investments accounted for using equity method

The equity method will be adopted when the shareholding of the Consolidated Companies in the investee exceeds 20% of common shares, or is less than 20% of the investee's common stock ownership, but the Consolidated Companies have a significant influence on the investee.

(Continued)

The difference between the investment cost and carrying amount of net equity of an investee is accounted for according to the revised SFAS No. 5 “Long-term Investments under Equity Method”. If the difference comes from non-current assets that can be depreciated, depleted or amortized, then an investor company shall amortize such difference over the estimated remaining economic lives. If the difference between the investment cost and carrying amount of net equity of an investee comes from discrepancies between the book values of assets and their fair values, then an investor company shall offset all unamortized differences when conditions causing such over- or under-valuation are no longer present. If the investment cost exceeds the fair value of identifiable net assets, the excess should be recognized as goodwill. If the fair value of identifiable net assets exceeds the investment cost, the excess should be used to reduce the carrying amounts of non-current assets in proportion to their fair values. If there is still any difference when the carrying amounts become zero, the difference should be recognized as extraordinary gain.

Unrealized profits or losses resulting from transactions between the Consolidated Companies and their investees accounted for under the equity method are deferred until realized or spread over the useful lives of the assets that give rise to such unrealized profits or losses.

If an investee company issues new shares and the Consolidated Companies do not subscribe the new shares in proportion to their original ownership percentage, the Consolidated Companies’ equity in the investee’s net assets might be changed. The resulting change in the equity interest shall be recorded as adjustment to capital surplus and long-term investments.

(k) Property, plant and equipment, assets leased to others and depreciation

Property, plant and equipment are stated at acquisition cost. Interest costs related to the construction of property, plant and equipment are capitalized and included in the cost of the related asset. Repairs and maintenance are charged to expenses as incurred; major additions, renewals, and improvements are capitalized and depreciated accordingly. The useful lives, depreciation method, and residual value for an item of property, plant or equipment with a finite useful life shall be reviewed at least at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

Depreciation on property, plant and equipment is provided using the straight-line method over the estimated useful lives of the respective assets.

The useful lives of the main property are as follows:

- Buildings: 3 to 50 years
- Machinery and equipment: 1 to 6 years
- Research and development equipment: 3 to 6 years
- Other equipment: 3 to 5 years

The building being leased to others stated at cost is recorded as assets leased to others, and are depredated over 3 to 50 years on a straight-line basis.

(Continued)

Gain or loss on disposal of property, plant and equipment and assets leased to others is recorded as non-operating income or losses. Depreciation of assets leased to others is deducted from other income.

(l) Intangible assets

Land use rights are included in intangible assets and amortized over the contract term or estimated useful life, whichever is shorter.

In accordance with SFAS No. 37 “Intangible Assets”, except when it forms part of the cost of a business combination, expenditure on research is recognized as an expense when it is incurred.

An intangible asset arising from development shall be recognized if, and only if, the Consolidated Companies can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- The probability that the intangible asset will generate future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

An intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Royalty fees and the software system are included in intangible assets and amortized over one to three years.

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

(Continued)

(m) Deferred charges

Charges for telephone installation and networks are included in deferred charges and amortized over one to four years.

The Company leased land from the Hsinchu Science Park Administration in order to build a new factory. The acquisition costs of the original buildings on the land are included in deferred charges and amortized over the lease term of twenty years.

(n) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan (the Plan) covering all regular employees in the ROC. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on years of service and the average salary for the six-month period before the employee's retirement. Each employee earns two months of salary for each of the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. Beginning July 2005, pursuant to the ROC Labor Pension Act (hereinafter referred to as the "new system"), employees who elected to participate in the new system or joined the Company after July 1, 2005, are covered by a defined contribution plan under the new system. For these employees, the Company is required to make a monthly contribution of no less than 6% of the employee's monthly wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance. The Company has revised the Plan in accordance with the new system.

For the defined benefit retirement plan, the Company complies with SFAS No. 18 "Accounting for Pensions" and carries out an actuarial calculation of its pension obligation as of each fiscal year-end. Based on the actuarial calculation, the Company recognizes a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, net obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis. In accordance with the requirement of the ROC Labor Standards Law, the Company has contributed monthly payments of 2% of salaries and wages to a pension fund maintained with Bank of Taiwan.

Under the new system, the Company contributes 6% of each employee's monthly wages to the Bureau of Labor Insurance. The contribution for a period is recognized as pension cost for that period.

Certain of the Company's foreign subsidiaries have defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred.

(Continued)

(o) Compound financial instruments－convertible bonds

Convertible bonds issued by the Company involve financial liabilities and conversion options where the bondholder could elect to convert the bond into shares of the Company's common stock at an agreed-upon price. The fair value of the liability element in convertible bonds is determined by reference to the fair value of a similar liability which has no relation with the equity element. The amount of the equity element is calculated by deducting the fair value of the liability element from the total value of the convertible bonds. The issuance costs are allocated pro-rata to the liability and equity elements of the convertible bonds based on their original recognized amount. The interest expense of convertible bonds is calculated by the effective-interest-rate method and recorded in the statements of income over the duration of the bonds.

(p) Share-based payment

For share-based payments before January 1, 2008, the Company need not retroactively adopt SFAS No. 39 "Share-Based Payment". However, it must disclose the pro forma net income and earnings per share, and the nature and the scope of the share-based payment.

The Company used the intrinsic value method to recognize compensation cost for its employee stock options issued between January 1, 2004, and December 31, 2007, which is the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date, in accordance with ARDF interpretation Nos. 92-070~072. Any compensation cost should be charged to expense over the employee vesting period and increase stockholders' equity accordingly.

(q) Revenue recognition

Sales are recognized as soon as the inventories are delivered and the related risk is transferred to the customers. Service income from providing design, process and maintenance service is recognized when the service is rendered. Allowance and related provisions for sales returns are estimated based on historical experience. Such provisions are deducted from sales in the year the products are sold.

(r) Employees' bonuses and remuneration paid to directors

Effective January 1, 2008, the Company adopted ARDF interpretation No. 96-052 to account for employees' bonuses and remuneration paid to directors, and those bonuses and remuneration are recorded as expenses. Moreover, if the amounts are modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of income in the following year.

(Continued)

(s) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the deferred income tax asset's or liability's expected realization date.

The Company's purchase of equipment and expenditures for research and development and for training entitle the Company to tax credits that are recognized by using the flow-through method.

According to the ROC Income Tax Act, the Company's undistributed income earned starting January 1, 1998, is subject to an additional 10% corporate income surtax. The surtax is charged to income tax expense after the stockholders approve the appropriation of earnings in the following year.

(t) Earnings per common share ("EPS")

Basic EPS are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. The Company's common stock to be issued for employee stock options, convertible bonds, and employees' bonuses to be settled through the issuance of stock upon approval by stockholders are considered potential common stock. When potential common stock is anti-dilutive, only the basic EPS are disclosed. Diluted EPS are disclosed in addition to basic EPS when potential common stock has dilutive effects. In computing diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming potential dilutive common stock was outstanding during the year. The weighted-average number of outstanding shares is retroactively adjusted for the effects of stock dividends transferred from unappropriated earnings and capital surplus to common stock. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations shall also be retroactively adjusted.

(Continued)

(u) Operating segments information

An operating segment is a component of an entity that has the following characteristics: a. engaging in business activities from which it may earn revenues and incur expenses; b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and c. for which discrete financial information is available.

(3) Reasons for and Effect of Changes in Accounting Principles

Effective from January 1, 2011, the Consolidated Companies adopted the newly released SFAS No. 41 "Operating Segments". The statement requires identification and disclosure of operating segments on the basis of how the Consolidated Companies' chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The Consolidated Companies disclose the operating segments information in the consolidated financial statements rather than in the individual financial statements. SFAS No. 41 supersedes SFAS No. 20 "Segment Reporting." The adoption of the newly released SFAS did not have any influence on the consolidated financial statements for the years ended December 31, 2011.

Effective from January 1, 2011, the Consolidated Companies adopted the newly revised SFAS No. 34 "Financial Instruments: Recognition and Measurement". The recognition, measurement, and impairment evaluation of receivables is subject to the newly revised SFAS. The adoption of the newly released SFAS did not have any influence on net income and basic earnings per share for the years ended December 31, 2011.

(4) Explanation of Significant Accounts

(a) Cash

	December 31, 2012	December 31, 2011
Cash on hand	$ 580	510
Savings and checking account	1,836,795	1,783,756
Time deposits	2,806,000	2,066,060
	$ 4,643,375	**3,850,326**

(b) Available-for-sale financial assets－current

	December 31, 2012	December 31, 2011
Mutual funds	**$ 1,386,090**	**1,570,394**

(Continued)

(c) Notes and accounts receivable and overdue receivable, net

	December 31, 2012	December 31, 2011
Current:		
Notes receivable	$ 205,827	51,350
Accounts receivable	5,344,424	6,735,399
	5,550,251	6,786,749
Less: allowance for doubtful accounts and allowance for sales returns and discounts	(274,347)	(274,648)
	$ 5,275,904	**6,512,101**
Non-current:		
Overdue receivable	$ 39,976	39,976
Less: allowance for doubtful accounts	(39,976)	(39,976)
Overdue receivable, net (recorded in other assets)	**$ -**	**-**

(d) Inventories

	December 31, 2012	December 31, 2011
Finished goods	$ 1,670,587	2,368,494
Less: provision for inventory devaluation	(2,782)	(3,900)
	1,667,805	2,364,594
Work in process and semi-finished products	245,433	246,925
Less: provision for inventory devaluation	(2,473)	(3,233)
	242,960	243,692
Raw materials and supplies	1,530,475	1,508,124
Less: provision for inventory devaluation	(104,990)	(158,123)
	1,425,485	1,350,001
	$ 3,336,250	**3,958,287**

The details for cost of goods sold:

	For the years ended December 31, 2012	For the years ended December 31, 2011
Cost of goods sold	$ 29,716,191	28,511,633
Inventory provision	67,621	196,043
Revenue from sale of scrap	(30,960)	(11,652)
Physical inventory loss (gain)	22	(96)
	$ 29,752,874	**28,695,928**

(Continued)

(e) Funds and investments

1. Long-term investments under the equity method and financial assets carried at cost－non-current are summarized below:

Investee	December 31, 2012 Percentage of ownership		December 31, 2012 Acquisition cost	December 31, 2012 Book value	For the year ended December 31, 2012 Investment income
Long-term investments under equity method:					
Kunshan ChangNun Precision Die Casting Co., Ltd. (WQN)	**47.44**	**$**	**72,411**	**112,923**	**6,773**

Investee	December 31, 2011 Percentage of ownership		December 31, 2011 Acquisition cost	December 31, 2011 Book value	For the year ended December 31, 2011 Investment income
Long-term investments under equity method:					
Kunshan ChangNun Precision Die Casting Co., Ltd. (WQN)	**47.44**	**$**	**72,411**	**108,916**	**6,380**

Investee	December 31, 2012 Acquisition cost	December 31, 2012 Book value	December 31, 2011 Acquisition cost	December 31, 2011 Book value
Financial assets carried at cost－non-current:				
First International Telecom, Inc.	$ 29,700	-	29,700	-
GreenWave Reality LLC	48,482	48,482	48,482	48,482
NeWave Sensor Solutions LLC	31,450	31,450	31,450	31,450
		$ 79,932		79,932

(Continued)

The Consolidated Companies evaluated the investment value of First International Telecom, Inc. in accordance with SAFS No. 34, and recorded impairment loss of $29,700 in 2008.

Details of the difference between acquisition cost and fair value of net assets acquired were as follows:

	For the years ended December 31, 2012			
	Beginning balance	Current-period change	Amortization	Ending balance
Goodwill	$ 35,277	-	-	35,277

	For the years ended December 31, 2011			
	Beginning balance	Current-period change	Amortization	Ending balance
Goodwill	$ 35,277	-	-	35,277

2. Other financial assets－non-current are summarized below:

	December 31, 2012	December 31, 2011
Refundable deposits	$ 8,924	7,975

(f) Intangible assets

The information on intangible assets and their amortization is summarized below:

	Software	Patents	Land Use Rights	Total
Original cost:				
Balance at January 1, 2011	$ 95,138	28,293	81,976	205,407
Additions	44,002	33,098	3,178	80,278
Write-off	(60,608)	(3,269)	-	(63,877)
Translation adjustment	-	-	5,957	5,957
Balance at December 31, 2011	78,532	58,122	91,111	227,765
Additions	59,090	22,668	-	81,758
Reclassification	1,179	-	(3,100)	(1,921)
Write-off	(19,362)	(25,023)	-	(44,385)
Translation adjustment	(3)	-	(2,233)	(2,236)
Balance at December 31, 2012	$ 119,436	55,767	85,778	260,981

(Continued)

		Software	Patents	Land Use Rights	Total
Accumulated amortization:					
Balance at January 1, 2011	$	73,900	12,657	6,199	92,756
Amortization		36,475	34,962	972	72,409
Write-off		(60,608)	(3,269)	-	(63,877)
Translation adjustment		-	-	564	564
Balance at December 31, 2011		49,767	44,350	7,735	101,852
Amortization		40,286	32,143	1,760	74,189
Write-off		(19,362)	(25,023)	-	(44,385)
Translation adjustment		(9)	-	(196)	(205)
Balance at December 31, 2012	$	70,682	51,470	9,299	131,451
Book value:					
Balance at December 31, 2011	$	28,765	13,772	83,376	125,913
Balance at December 31, 2012	$	48,754	4,297	76,479	129,530

For the years ended December 31, 2012 and 2011, the Consolidated Companies recognized amortization expense for intangible assets of $74,189 and $72,409, respectively, recorded in operating cost and expense.

(g) Deferred charges

		December 31, 2012	December 31, 2011
Deferred building acquisition cost	$	140,582	149,954
Others		164,733	223,940
	$	305,315	373,894

The Company leases land from the Hsinchu Science Park Administration and bought the original building on the land in December 2007. The Company demolished the building and constructed a new building. The acquisition costs of the original building on the land are included in deferred charges and are being amortized over the lease term of twenty years.

(h) Assets leased to others

		December 31, 2012	December 31, 2011
Building	$	355,530	354,929
Less: accumulated depreciation		(73,352)	(66,253)
	$	282,178	288,676

(Continued)

The Company leased parts of the building to others, and the lease term is until April 30, 2013. For the years ended December 31, 2012 and 2011, the Company recognized the rental revenue for assets leased to others which amounted to $34,037, and it was recorded as other income. The depreciation of assets leased to others amounted to $7,099, and it was deducted from other income.

(i) Pension

The measurement dates for the actuarial study of the Company's pension obligation were December 31, 2012 and 2011. The funded status of the Company's pension scheme was as follows:

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	$ (25,517)	(18,867)
Non-vested benefit obligation	(68,819)	(62,380)
Accumulated benefit obligation	(94,336)	(81,247)
Effects of future salary increases	(54,527)	(73,145)
Projected benefit obligation	(148,863)	(154,392)
Fair value of plan assets	129,939	121,378
Funded status	(18,924)	(33,014)
Unrecognized pension gain	51,858	63,012
Unrecognized net obligation at transition	379	455
Prepaid pension assets	$ **33,313**	**30,453**

The net pension cost had the following components:

	For the years ended December 31, 2012	For the years ended December 31, 2011
Defined benefit plan:		
Service cost	$ 1,450	1,431
Interest cost	3,088	2,606
Expected return on pension fund	(1,209)	(1,387)
Amortization	1,163	1,656
Net pension cost	**$ 4,492**	**4,306**
Defined contribution plan:	**$ 98,722**	**81,631**

Actuarial assumptions were as follows:

	December 31, 2012	December 31, 2011
Discount rate	1.75%	2.00%
Rate of salary increase	3.00%	4.00%
Projected return on plan assets	1.75%	2.00%

(Continued)

As of December 31, 2012 and 2011, the vested benefit costs were $31,338 and $24,642, respectively, and the amounts were calculated based on the Company's employee retirement plan.

(j) Short-term loans

As of December 31, 2012 and 2011, short-term loans were $3,267,160 and $3,415,489, respectively, and the Consolidated Companies had total short-term lines of credit amounting to $12,684,944 and $11,976,162, respectively, and had used short-term lines of credit amounting to $3,349,119 and $3,449,302, respectively.

For the years ended December 31, 2012 and 2011, the interest rate was 0.95%~6.06% and 0.7082%~6.059%, respectively.

(k) Bonds payable

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

Par value: $1,500,000

Maturity date: June 2014

Coupon rate: 0%

Conversion price: The conversion price is calculated as 110% of the basis price, which is the average price among the three arithmetic averages of the Company's closing prices for one, three, and five business days before the basis date. Using the above approach, the conversion price of the issuance was $126.4 per share. The above conversion price has been adjusted down to $104.1 per share since August 13, 2012.

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

In accordance with SFAS No. 36, the Company separated the conversion option from the liability element when the convertible bonds were issued and recorded them as equity and liability, respectively. Details are summarized as follows:

	Amount
Total amount of convertible bonds	$ 1,500,000
Issue cost	(5,295)
Fair value of convertible bonds	(1,420,545)
Equity element－conversion options	**$ 74,160**

(Continued)

After separating the aforementioned embedded conversion options from the convertible bonds, the effective interest rate of the convertible bonds is 1.82%.

The details of convertible bonds are summarized below:

	December 31, 2012	December 31, 2011
Convertible bonds payable	$ 1,500,000	1,500,000
Less: Unamortized discount	(39,118)	(65,363)
Book value	**$ 1,460,882**	**1,434,637**

	For the years ended December 31, 2012	For the years ended December 31, 2011
Interest expense	**$ 26,245**	**14,092**

(l) Stockholders' equity

1. Common stock and employee stock options

Pursuant to a stockholders' resolution on June 12, 2012, the Company increased its common stock by 14,458 thousand shares through the transfer of stock dividends of $144,576. The effective date of the capital increase was August 13, 2012, and it was recorded with the government authorities.

Pursuant to a stockholders' resolution on June 17, 2011, the Company increased its common stock by 13,616 thousand shares through the transfer of stock dividends of $136,161. The effective date of the capital increase was August 17, 2011, and it was registered with the government authorities.

As of December 31, 2012 and 2011, the authorized capital of the Company was $3,500,000, including $250,000 reserved for employee stock options. The issued capital amounted to $3,038,496 and $2,862,886, respectively. The par value of the Company's common stock is $10 per share.

(Continued)

As of December 31, 2012 and 2011, the employee stock options which were still valid were as below:

Item	Approval date	Grant date	Vesting period	Units of grant (thousands)	Price per share (New Taiwan dollars)	Market price per share (New Taiwan dollars)	Adjusted exercise price (New Taiwan dollars)
First employee stock option in 2007	November 15, 2007	November 16, 2007	2~4 years	20,000	$65.80	$65.80	$37.00

For the years ended December 31, 2012 and 2011, the above employee stock options had been exercised for 2,414 thousand shares and 4,115 thousand shares, respectively.

As of December 31, 2012 and 2011, the Company had received $6,919 and $36,220, respectively, in advance for the employee stock options for the purchase of 187 thousand shares and 877 thousands shares, respectively. The registration had not yet been completed and was recorded in advance receipts for common stock.

According to ruling letter No. 0920003788 issued by the Financial Supervisory Commission, Executive Yuan, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for by the interpretation issued by the Accounting Research and Development Foundation.

According to the employee stock 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 stock option in 2007. However, as the option exercise price was equal to the market value on the measurement date, there was no compensation cost recognized for the years ended December 31, 2012.

If the Company recognized compensation cost using the Black-Scholes option pricing model in accordance with SFAS No. 39, the fair value of the options would be $10.6. The assumptions would be as follows:

Expected cash dividend yield	22 %
Expected volatility of stock price	87.37 %
Risk-free interest rate	2.29 %
Expected life of the option	5 years

(Continued)

The information related to the employee stock option plan is as follows:

	For the years ended December 31, 2012		2011	
	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)
Outstanding balance at the beginning	10,608	$41.30	14,723	45.00
Options exercised	(2,414)	40.75	(4,115)	44.02
Options forfeited (expired)	(6,208)	41.30	-	-
Outstanding balance at period-end	**1,986**	**37.00**	**10,608**	**41.30**
Exercisable number at period-end	**1,986**	**37.00**	**10,608**	**41.30**

As of December 31, 2012, the weighted-average remaining contractual life of the employee stock options was 1.88 years.

The pro forma information on net income and EPS using the fair value method in accordance with SFAS No. 39 would be as follows:

		For the years ended December 31, 2012	2011
Net income	Net income	$ **1,128,260**	**1,709,540**
	Pro forma net income	**1,128,260**	**1,691,859**
Basic EPS	EPS (New Taiwan dollars)	**3.72**	**5.70**
	Pro forma EPS (New Taiwan dollars)	**3.72**	**5.64**
Diluted EPS	EPS (New Taiwan dollars)	**3.52**	**5.33**
	Pro forma EPS (New Taiwan dollars)	**3.52**	**5.24**

2. Capital surplus

	December 31, 2012	2011
Capital surplus－premium	$ 1,840,312	1,743,706
Treasury stock sold to employees	100,454	100,454
Conversion options of bonds	74,160	74,160
Capital surplus from merger	36,653	36,653
	$ 2,051,579	**1,954,973**

Pursuant to the ROC Company Act, capital surplus can be used to offset a deficit. Where a company incurs no loss, it may capitalize its capital reserve, consisting of the following, by

(Continued)

issuing new shares, which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares held by each of them or by distributing a cash dividend:

(i) The income derived from the issuance of new shares at a premium;

(ii) The income from endowments received by the company.

According to current ROC securities regulations, the total capital surplus capitalized per annum may not exceed 10 percent of the paid-in capital.

3. Legal reserve

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

4. Policy on distribution of earnings and dividends

According to the Company's articles of incorporation as revised on June 12, 2012, after-tax earnings, if any, should first offset the cumulative losses, and 10% of the remainder should be set aside as legal reserve. If necessary, any special capital reserve or reversal should be made in accordance with relevant laws or regulations. The remaining amount together with the prior years' unappropriated 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 common stock, employees (including those of the subsidiaries) must conform to certain conditions set by the board of directors.

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

(iii) The remainder, after retaining a certain portion for business considerations, as stock dividends or bonuses to stockholders.

Because the Company is in a technology- and capital-intensive industry and to fit in with its long-term scheme for stable and long-term growth, it is critical for the Company to undertake a conservative dividend policy. In principle, stock dividends are not less than 10% of the sum of cash dividends and stock dividends.

(Continued)

According to ROC securities regulations, the annual earnings and unappropriated earnings should be used to provide a special reserve to eliminate any reduction in stockholders' equity. If a reduction in stockholders' equity is reversed, the same amount could be moved from special reserve to unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

For the years ended December 31, 2012 and 2011, the amounts of the employees' bonuses were estimated at $203,087 and $307,717, respectively, and the amounts of remuneration to directors were estimated at $10,154 and $15,386, respectively. The board of directors estimated the amounts by taking into consideration the Company's articles of incorporation and the historical appropriation, and the amounts were decided to be 90% of the balance of net income on December 31, 2012 and 2011, multiplied by 20% 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 stock on the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Moreover, if the amounts are modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of income in the following year.

Information about employees' bonuses and directors' remuneration which were distributed from unappropriated earnings for 2011 and 2010, is as follows:

		2011	2010
Dividends per share:			
Cash (new Taiwan dollars)	$	3.499	3.498
Common stock (par value)		0.500	0.500
	$	**3.999**	**3.998**
Employees' bonuses－cash	$	307,717	279,527
Directors' remuneration		15,386	13,231
	$	**323,103**	**292,758**

The appropriation of earnings did not differ from the resolutions approved by the directors.

The related information is available on the Market Observation Post System website.

(Continued)

(m) Earnings per common share

The Company's EPS were calculated as follows:

	For the years ended December 31,			
	2012		2011	
	Before Income Taxes	**After Income Taxes**	**Before Income Taxes**	**After Income Taxes**
Basic EPS:				
Net income	$ 1,392,914	1,128,260	2,110,543	1,709,540
Weighted-average common shares outstanding (thousand)	303,487	303,487	285,844	285,844
Basic EPS (New Taiwan dollars)	$ 4.59	3.72	7.38	5.98
Basic EPS－retroactively adjusted (New Taiwan dollars)			$ 7.03	5.70
Diluted EPS:				
Net income	$ 1,392,914	1,128,260	2,110,543	1,709,540
Add: Potential effects of common shares －convertible bonds	26,245	21,783	14,092	11,696
Net income when calculating diluted EPS	$ 1,419,159	1,150,043	2,124,635	1,721,236
Weighted-average common shares outstanding (thousand)	$ 303,487	303,487	285,844	285,844
Add: Potential number of common shares (thousand)	23,538	23,538	21,655	21,655
Diluted weighted-average common shares outstanding (thousand)	327,025	327,025	307,499	307,499
Diluted EPS (New Taiwan dollars)	$ 4.34	3.52	6.91	5.60
Diluted EPS－retroactively adjusted (New Taiwan dollars)			$ 6.58	5.33

(n) Income tax

The components of the Consolidated Companies' tax exemption are summarized below:

Year of Investment	Tax exemption period	Tax exemption chosen	Ministry of Finance month of approval
2003	June 1, 2006~ May 31, 2011	Tax exemption on the Company's income tax for five years	Feb. 2007

(Continued)

NQX, NQJ and NYC are exempted from income taxes in the first and second year (2008~2009) and allowed a 50% reduction in third to fifth year (2010~2012). Therefore, the statutory income tax rates are 12.5% and 12% for the years ended December 31, 2012 and 2011, respectively.

The Company's income tax expense is based on the Income Tax Act of the Republic of China and is calculated in accordance with the Income Basic Tax Act (IBTA). The statutory income tax rate applicable to the Company is 17% in 2012 and 2011.

Income tax expense was as follows:

	For the years ended December 31, 2012	2011
Current income tax	$ 308,394	375,230
Deferred income tax expense (benefit)	(1,669)	144,352
	$ 306,725	**519,582**

The differences between income tax expense based on the statutory income tax rate and the income tax expense as reported in the accompanying financial statements are summarized as follows:

	For the years ended December 31, 2012	2011
Income tax expense computed at the statutory tax rate	$ 243,947	378,951
Discrepancy caused by different tax rates applied to the company's subsidiaries	18,616	85,147
Tax effect of permanent differences	3,803	1,621
Tax exemption	-	(3,684)
Change in investment tax credits, net	(52,009)	(48,931)
Additional 10% surtax on undistributed earnings	45,298	23,379
Change in valuation allowance for deferred income tax assets	(16,165)	-
Prior-year adjustment and others	63,235	83,099
Income tax expense	**$ 306,725**	**519,582**

(Continued)

The temporary differences and tax credits, and their effects on deferred income tax assets (liabilities) were as follows:

	December 31,			
	2012		2011	
	Amount	Income tax effect	Amount	Income tax effect
Current assets:				
Tax credits	$ -	-	16,165	16,165
Allowance for doubtful accounts over the quota	205,757	34,979	183,834	31,252
Unrealized loss from inventory devaluation	110,245	18,742	165,256	28,093
Unrealized expense	111,681	18,986	119,523	20,319
Unrealized foreign exchange loss (gains)	60,025	10,204	(137,769)	(23,421)
Unrealized inter-company profits	93,150	15,835	164,205	27,915
Others	8,747	1,487	2,700	1,080
		100,233		101,403
Less: valuation allowance		-		(16,165)
		$ 100,233		85,238
Non-current liabilities:				
Cumulative translation adjustments	$ (79,426)	(13,502)	(174,707)	(29,700)
Investment gain recognized by equity method	(1,721,755)	(292,699)	(1,643,369)	(279,373)
		$ (306,201)		(309,073)
Total deferred tax assets		$ 100,233		124,824
Total deferred tax liabilities		$ 306,201		332,494
Valuation allowance for deferred tax assets		$ -		16,165

According to the Statute for Industrial Innovation, a profit-seeking enterprise may deduct of its research and development expenditures from its income tax payable for the period in which these expenditures are incurred, but the deduction should not exceed 30% of the income tax payable for that period. The Company's estimated deductions from its income tax payable were 52,009 and 48,931 for the years ended December 31, 2012 and 2011, respectively.

The Company's income tax returns have been examined by the tax authorities through 2009.

The shareholders' imputation credit account, retained earnings, and imputation credit ratio were as follows:

	December 31,	
	2012	2011
Unappropriated retained earnings:		
Earned after December 31, 1998	$ 3,332,453	3,460,747
Imputation credit account balance	$ 426,951	419,686

(Continued)

	2012 (estimated)	2011 (actual)
Creditable ratio for earnings distribution to resident stockholders	16.03%	14.33%

(o) Financial instruments

1. Derivative financial instruments

	December 31,			
	2012		2011	
Item	Contract amount (in EUR thousands)	Currency	Contract amount (in USD thousands)	Currency
Sell－forward foreign currency exchange contracts	$ 1,000	Sell EUR/ Buy USD	5,000	Sell USD/ Buy NTD

The Company signed forward foreign currency exchange contracts with banks for the years ended December 31, 2012 and 2011. The contracts' purpose is to manage the foreign exchange rate risk exposure of net foreign currency assets. As of December 31, 2012 and 2011, the book value of related derivative financial assets (liabilities) was $(657) and $97, respectively, recorded in other current liabilities and other financial assets－current respectively. Changes in fair value caused unrealized gains (losses) on financial assets of $(754) and $97 for the years ended December 31, 2012 and 2011, respectively, recorded in other loss and other income, respectively.

2. Non-derivative financial instruments

(i) The fair values of financial assets and liabilities evaluated were as follows:

	December 31,			
	2012		2011	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash	$ 4,643,375	4,643,375	3,850,326	3,850,326
Available-for-sale financial assets－current (beneficiary certificates)	1,386,090	1,386,090	1,570,394	1,570,394
Financial assets carried at cost－non-current (equities)	79,932	2.ii(2)	79,932	2.(ii)(2)
Notes and accounts receivable (including related parties)	5,482,854	5,482,854	6,671,330	6,671,330
Other financial assets	182,669	182,669	33,805	33,805

(Continued)

	December 31,			
	2012		2011	
	Book value	Fair value	Book value	Fair value
Financial liabilities:				
Short-term loans	3,267,160	3,267,160	3,415,489	3,415,489
Bonds payable	1,460,882	1,459,500	1,434,637	1,432,500
Notes and accounts payable (including related parties)	4,288,069	4,288,069	5,207,827	5,207,827
Accrued expenses	685,266	685,266	834,691	834,691
Salary and wages payable	776,211	776,211	1,014,430	1,014,430

(ii) The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(1) The carrying amounts of cash, other financial assets, notes and accounts receivable (including related parties), notes and accounts payable (including related parties), short-term loans, accrued expenses, and salary and wages payable approximate their fair value due to the short-term nature of these items.

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

(3) Financial assets carried at cost—privately held stock is not traded in the public market, and fair value is impractical to assess.

(iii) The market price of financial assets and liabilities, except cash, available-for-sale financial assets—current, and bonds payable, is derived from active market prices, while that of others is derived from an evaluation method.

3. Financial risk information

(i) Market price risk

The Consolidated Companies sales are mainly denominated in foreign currency that will be exposed to the risk of fluctuation of the market exchange rate, so the Consolidated Companies' derivative financial instruments are basically used for hedging purposes. Therefore, the gain or loss due to the changes in foreign exchange rate will be automatically offset by the hedged items. As a result, the market price risk is considered low.

The beneficiary certificates held by the Consolidated Companies are classified as available-for-sale financial assets. Since these assets are measured by the fair value, the Consolidated Companies will be exposed to the risks of market price change.

(Continued)

(ii) Credit risk

The Consolidated Companies' potential credit risk is derived primarily from cash, beneficiary certificates, and accounts receivable. The Consolidated Companies maintain its cash in various creditworthy financial institutions. Beneficiary certificates include mutual funds that were issued by various creditworthy entities and financial institutions. As a result, the Consolidated Companies believe that there is no concentration of credit risk in cash and beneficiary certificates.

The majority of the Consolidated Companies' customers are in the communications industry. The Consolidated Companies continuously evaluate the credit quality of its customers. For the year ended December 31, 2012, the Consolidated Companies had no concentration of credit risk in total accounts receivable. As of December 31, 2011, 61% of the total accounts receivable consisted of eleven customers. However, the Consolidated Companies evaluate the collectability of trade receivables and provide adequate reserves for bad debts, if necessary.

(iii) Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Consolidated Companies have sufficient capital and working capital to fulfill the contract obligations.

(iv) Cash flow risk related to the fluctuation of interest rates

Some of the Consolidated Companies' short-term loans bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. As of December 31, 2012, if the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately $9,324.

(5) Related-party Transactions

(a) Name and relationship

Name of related party	Relationship with the Consolidated Companies
Wistron Corp. (Wistron)	Investor of the Company by equity method
Wistron InfoComm (CHONGQING) Co., Ltd. (WCQ)	Subsidiary of Wistron
Cowin Worldwide Corporation (COWIN)	Subsidiary of Wistron
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	Subsidiary of Wistron
Wistron InfoComm Technology (Kunshan) Co., Ltd. (WIKS)	Subsidiary of Wistron

(Continued)

Name of related party	Relationship with the Consolidated Companies
Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. (WEKS)	Subsidiary of Wistron
Wistron InfoComm Technology (America) Corporation (WITX)	Subsidiary of Wistron
WIS Precision (Kunshan) Co., Ltd. (WPKS)	Investee of Wistron by equity method
Kunshan ChangNun Precision Die Casting Co., Ltd. (WQN)	Investee of the Consolidated Company by equity method
Directors, supervisors, the president and the vice president	Principal management team of the Consolidated Companies

(b) Significant transactions with related parties

1. Sales, services income, and accounts receivable

Sales to, and fees for services provided to, related parties were as follows:

	For the years ended December 31,			
	2012		2011	
	Amount	% of net sales	Amount	% of net sales
WAKS	$ 179,952	1	134,351	-
WITX	58,158	-	-	-
WEKS	52,678	-	93,485	-
COWIN	52,023	-	57,956	-
WPKS	42,699	-	149,019	1
WCQ	34,320	-	-	-
WIKS	29,344	-	23,361	-
Others	15,687	-	8,694	-
	$ 464,861	1	466,866	1

The selling prices and the credit policy for sales to other related parties are similar to those for third-party customers.

(Continued)

The receivables resulting from the above transactions were as follows:

	December 31,			
	2012		2011	
	Amount	% of net N/R & A/R	Amount	% of net N/R & A/R
WAKS	$ 89,995	2	51,079	1
COWIN	24,043	1	7,760	-
WEKS	23,298	1	12,245	-
WCQ	20,523	-	-	-
WITX	20,185	-	-	-
WIKS	16,175	-	9,092	-
WPKS	6,256	-	74,213	1
Others	6,475	-	4,840	-
	$ 206,950	4	159,229	2

2. Purchases and accounts payable

Purchases from related parties were as follows:

	For the years ended December 31,			
	2012		2011	
	Amount	% of net purchases	Amount	% of net purchases
WQN	$ 461,920	2	467,432	2

The payment period for other related parties is similar to that for third-party vendors.

Payables resulting from the above transactions were as follows:

	December 31,			
	2012		2011	
	Amount	% of net N/P & A/P	Amount	% of net N/P & A/P
WQN	$ 74,964	2	78,694	2

3. Rental expenses

The rent for dormitories leased from Wistron for the years ended December 31, 2012 and 2011, amounted to $0 and $773, respectively.

(Continued)

As of December 31, 2012 and 2011, payables resulting from the above transactions were $0.

4. Other transactions

The Company paid related parties for administrative expenditures and test expenses as follows:

	For the years ended December 31,		
		2012	2011
Wistron	$	29,156	26,476
Others		15	-
	$	29,171	26,476

Payables resulting from the above transactions were as follows:

	December 31,		
		2012	2011
Wistron	$	2,605	944

5. Compensation to the principal management

	For the years ended December 31,		
		2012	2011
Salaries	$	26,554	32,823
Cash awards and other expense		28,086	27,349
Business expense		520	510
Employee bonuses		14,945	28,359

The aforementioned amounts included the accruals for remuneration to directors and employee bonuses; refer to the section “stockholders’ equity” for further details.

(6) Pledged Assets: None

(7) Commitments and Contingencies

The Company entered into a land lease agreement with the Hsinchu Science Park Administration in November 2007. The period of the land lease agreement is twenty years. The monthly rent is $875.

(Continued)

(8) Other

(a) The personnel expenses, depreciation, and amortization, by function, were as follows:

	For the years ended December 31,					
	2012			2011		
	Function					
Account	**Operating costs**	**Operating expense**	**Total**	**Operating costs**	**Operating expense**	**Total**
Personnel expenses						
Salaries	1,685,688	1,477,600	3,163,288	1,604,465	1,527,245	3,131,710
Labor and health insurance	56,729	87,340	144,069	47,667	75,358	123,025
Pension	44,604	58,610	103,214	38,292	47,645	85,937
Other	160,254	81,658	241,912	130,714	43,944	174,658
Depreciation	513,054	176,600	689,654	504,974	187,429	692,403
Amortization	145,823	140,667	286,490	105,622	99,205	204,827

Note: For the years ended December 31, 2012 and 2011, the depreciation of assets leased to others are deducted from other income amounting to $7,099.

(b) The significant foreign currency financial assets and liabilities were as follows:

Unit: foreign currency thousand

	December 31,					
	2012			2011		
	Foreign currency	**Exchange rate**	**Amount**	**Foreign currency**	**Exchange rate**	**Amount**
Financial assets:						
Monetary items:						
USD	228,764	29.136	6,665,262	254,757	30.29	7,716,576
Long-term investments under equity method:						
USD	3,876	29.136	112,923	3,596	30.29	108,916
Financial liabilities:						
Monetary items:						
USD	252,546	29.136	7,358,184	261,402	30.29	7,917,862
Non-monetary items:						
USD	-	-	-	5,000	30.23~30.35	Note
EUR	1,000	38.62	Note	-	-	-

Note: Foreign exchange forward contracts were measured based on fair value on the balance sheet date; see note 4(o).

(Continued)

(c) Reclassification

In order to conform with the presentation of the consolidated financial statements for the year ended December 31, 2012, several amounts in the consolidated financial statements for the year ended December 31, 2011 have been reclassified. The reclassification has no significant effect on the consolidated financial statements for the year ended December 31, 2011, and they are summarized as follows:

	Prior to Reclassification	After Reclassification	Amount of Difference
Property, plant and equipment	$ 4,786,500	4,497,824	(288,676)
Assets leased to others	-	288,676	288,676
Operating expenses	3,207,346	3,200,247	(7,099)
Non-operating income and gains	247,070	239,971	(7,099)

(9) Segment Financial Information

(a) General information

The Consolidated Companies operate 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 income. For assets, see the consolidated balance sheets.

(b) Information about profit or loss, assets and liabilities information

(i) Information about Products and Services:

	For the years ended December 31, 2012	For the years ended December 31, 2011
Wireless communication products	$ 33,240,392	32,824,528
Others	1,194,127	1,157,586
	$ 34,434,519	33,982,114

(ii) Information about Geographic Areas:

The Consolidated Companies disclose the basis for attributing revenues from external customers to individual countries.

(Continued)

The Consolidated Companies disclose non-current assets located in the entity's country of domicile and located in all foreign countries in total in which the entity holds assets.

A breakdown is as follows:

	For the years ended December 31, 2012	2011
Revenues from external customers:		
Americas	$ 17,798,737	15,390,757
Asia	14,052,773	16,659,845
Europe	2,466,500	1,801,222
Others	116,509	130,290
	$ 34,434,519	**33,982,114**

	December 31, 2012	2011
Non－current assets		
Americas	$ 683	977
Asia	5,225,112	5,285,330
	$ 5,225,795	**5,286,307**

(iii) Information about Major Customers:

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

	For the years ended December 31, 2012		2011	
	Amount	**% of net sales**	**Amount**	**% of net sales**
Customer D	**$ 9,859,801**	**29**	**9,584,771**	**28**

6. Financial Analysis, Operating Results Analysis, and Risk Management

6.1 Financial Analysis

6.1.1 2012 vs. 2011 financial analysis (non-consolidated)

Unit: Thousand NT$

Item	2012	2011	Increase/decrease amount	Change percentage (%)
Current assets	11,780,163	12,241,933	(461,770)	(3.77)
Long-term investments	3,834,822	3,850,079	(15,257)	(0.40)
Net property, plant, and equipment	1,727,002	2,040,883	(313,881)	(15.38)
Intangible assets	51,940	42,537	9,403	22.11
Other assets	519,462	204,780	314,682	153.67
Total assets	17,913,389	18,380,212	(466,823)	(2.54)
Current liabilities	6,658,679	7,288,106	(629,427)	(8.64)
Bonds payable	1,460,882	1,434,637	26,245	1.83
Other liabilities	306,201	309,073	(2,872)	(0.93)
Total liabilities	8,425,762	9,031,816	(606,054)	(6.71)
Common stock	3,038,496	2,862,886	175,610	6.13
Advance receipts for common stock	6,919	36,220	(29,301)	(80.90)
Capital surplus	2,051,579	1,954,973	96,606	4.94
Unappropriated earnings	4,325,357	4,353,702	(28,345)	(0.65)
Other adjustments	65,276	140,615	(75,339)	(53.58)
Total stockholders' equity	9,487,627	9,348,396	139,231	1.49

Notes:
1. Intangible assets increase is due to acquisition of computers and software.
2. Other assets increase is due to categorizing leased assets from fixed assets to other assets.
3. Other adjustments decrease is due to decrease of cumulative translation adjustments.

6.2 Operating Results Analysis

6.2.1 2012 vs. 2011 operating result analysis (Non-consolidated)

Unit: Thousand NT$

Item	2012	2011	Increased/ decreased amount	Change percentage (%)
Revenues	32,454,095	32,103,046	351,049	1.09
Less: sales returns and allowances	351,004	211,055	139,949	66.31
Net revenues	32,103,091	31,891,991	211,100	0.66
Cost of revenues	28,360,373	28,035,552	324,821	1.16
Change in unrealized intercompany profits	71,055	4,735	66,320	1400.63
Realized gross profit	3,813,773	3,861,174	(47,401)	(1.23)
Operating expenses	2,460,888	2,593,761	(132,873)	(5.12)
Operating income	1,352,885	1,267,413	85,472	6.74
Non-operating income and gains	168,440	870,397	(701,957)	(80.65)
Non-operating expenses and losses	128,411	27,267	101,144	370.94
Income before income taxes	1,392,914	2,110,543	(717,629)	(34.00)
Income tax benefit	(264,654)	(401,003)	(136,349)	(34.00)
Net income	1,128,260	1,709,540	(581,280)	(34.00)

Analysis of the increased/decreased amounts:

1. The sales returns and allowances increase is due to an increase of the product return rate for product quality issues.
2. The non-operating income and gains decrease is due to the net value decrease of investment income defined by the equity method.
3. The non-operating expenses and losses increase is due to an increase in exchange rate losses.

6.3 Cash Flow Analysis

6.3.1 Cash flow forecast in 2013

Unit: Thousand NT$

Beginning cash balance	Cash flow from operating activities	Cash flow due to investment and financing	Ending cash balance	Plan for resolving negative cash flow	
				Investment activities	Financing activities
2,408,110	850,004	(424,539)	2,833,575	-	-

1. Cash flow analysis:

   Operating activities: A positive cash flow of NT$850 million was mainly due to operating profit.

   Investing activities: A negative cash flow of NT$122 million was mainly due to the acquisition of fixed assets and disposition of open ended funds.

   Financing activities: A negative cash flow of NT$303 million was mainly due to cash dividend payments.

6.4 Significant Capitalized Expenditure Analysis:

None

6.5 Long-term Investment Objective

6.5.1 Investment plan for the coming year:

None

6.6 Risk Management

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

Unit: Thousand NT$

Items	2012
Interest income	22,832
Interest expense	41,967
Exchange rate gain/(loss)	(81,428)

At the end of 2012, the cash and short-term investment balance of Wistron NeWeb Corporation totaled approximately NT$4.2 billion, with long-term and short-term borrowing of approximately NT$1.7 billion. 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 89% 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 foreign currency operating exposure can be offset. In addition, Wistron NeWeb Corporation has used regular hedge activities to manage its foreign exchange risk under proper risk management guidelines.

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

The action plans to cope with the impact from interest rates, exchange rates, and inflation are:

1. Further mutually offset foreign assets and liabilities to avert risk.
2. Make plans and arrangements in advance for fund yields and borrowing costs in light of Wistron NeWeb Corporation’s business anticipation and funds requirements.
3. Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

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

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

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

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

6.6.3 R&D planning

1. Future R&D plans

   (1) Satellite Communications Product Series

      A. IP-based Satellite LNBF Receiver System
      B. Bi-directional Satellite Broadband Communications System
      C. Advanced Optical LNBF

   (2) Mobile and Handheld Communications Product Series

      A. Integrated 4G Broadband Network AP
      B. IEEE 802.11ac Wireless Network Routers
      C. Advanced Smart IPTV STB
      D. Home Digital AV Internet Adapters
      E. 3G/4G Femtocells

(3) Other Wireless Product Series

A. Advanced BSD Radar Products Series

2. Investment

Wistron NeWeb Corporation will continue to invest in the equipment of the above-mentioned products and recruit outstanding R&D personnel for innovation and development in order to maintain a leading role in the technology and win market opportunities. The investment ratio for R&D expenses for 2013 will be approximately the same as 2012.

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

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

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

There were no substantial changes in technology in recent years. To react to fierce market competition, Wistron NeWeb Corporation will advance product functionality, lower production costs, and exert strict control over operational costs.

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

Not applicable. Wistron NeWeb Corporation does not have any plans to make corporate image changes.

6.6.7 Expected gains and possible risks relative to acquisitions and their related solutions:

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

6.6.8 Expected benefits and risks related to plant facility expansion:

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

6.6.9 Supply and distribution concentration:

There is no concentration risk pertaining to suppliers and customers.

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

There is no affect.

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

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

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

None

6.6.13 Other risks:

None

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Wistron NeWeb Corp.