Stock Code: 6285

Wistron NeWeb Corporation

2013 Annual Report (Translation)

Publication Date: May 7, 2014

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 Spokespersons

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Title:	Chief Financial Officer	Title:	Director
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2. Address and Telephone Number of Company's Registered Office and Headquarters

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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,

In the industry WNC operates, 2013 was a low-visibility, fast-changing, and highly competitive year. The environment changed rapidly and was always challenging, and we are thankful for all of our shareholders' support during these past years. With this, WNC is able to continually build up its R&D strength and attain a substantial performance in technologies, our products, and in company operations. Along with the hard work and devotion of all WNC employees, we maintained our financial performance at a certain level despite such a highly-competitive industry environment.

Financial and Operational Results

In 2013, WNC's consolidated revenue was NT$36.65 billion with an annual growth rate of 6.4%. Consolidated gross profit was NT$5.19 billion, and consolidated net income was NT$1.5 billion. Basic earnings per share were NT$4.84.

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, enhancing internal operational efficiency, and meeting customer demands with high-quality products and technical services. With our responsiveness when confronting challenges despite uncertainties in the industry and markets, WNC still maintained comparable competitiveness and profitability.

Research and Development Status

WNC has been focused on wireless communications products for years. With solid capabilities in software, hardware, RF, antenna design, and product integration, and with experiences accessing new markets as well as the long-term cooperation with upstream and downstream partners, WNC has maintained positive progress in product development, quality service, and market performance.

To meet market requirements and the development progress of communication technologies, WNC continues its development of new technologies and applications. As of the end of 2013, WNC has over 1,400 approved patents and patents pending. We hope that we will be able to steadily increase our R&D strength and enhance our product value and continuously consolidate WNC's competiveness in the wireless communications industry.

In response to international regulations and customer requirements, WNC has fully implemented a green-product management process. Although requiring a slight cost increase in overall product development and production, this management process enhances WNC's ability to provide high environmentally and human-friendly products with great added value, while reducing the impact on the environment as much as possible.

WNC has been recognized once again in 2013 through our winning of international and national awards. We received the 2013 Hsinchu Science Park R&D Accomplishment Award and the Innovative Product Award and also received the 2013 CES Innovations Design and Engineering Award for our innovative product design.

Operation and Management

In 2013 the global economy has gradually stabilized with a trend of mild growth, but to some extent there are still uncertainties in the midst of stability. Considering the uncertainty and the increasingly competitive industry, we continuously improved our capabilities in manufacturing processes, product quality, business operations, and information systems to enhance the effectiveness and competitiveness of our corporate operation. In addition to these improvements, we also continue to invest in new technologies and products and input this innovation and open-mindedness into the operation process, product design, market expansion, and customer services, expecting to build the most value for our customers, employees, and shareholders.

WNC published its 2012 Corporate Social Responsibility Report in June 2013. The report disclosed the measures and their effectiveness that WNC implemented in aspects including its operations, environmental protection, and social participation from January through December of 2012. The report covers the scope of WNC’s Taiwan headquarters and its major manufacturing sites in China, allowing all stakeholders to better understand what WNC has carried out in its CSR policies and measures.

Future Outlook

Network communication technologies and market needs are changing rapidly. With the deployment and launch of 4G networks, the demands for human-to-human and machine-to-machine connections are developing more broadly and deeply. Connectivity, mobility, and intuitive operation are all essential elements for products. Products are now developed for various applications including wearable devices, home networking, automotive networking, smart buildings, the smart city, and industrial control applications, but they should also comply with the character and regulations of each industry in which they are used (such as the energy, logistics, finance, retail, manufacturing, and medical industries).

With WNC’s specialties in communication and sensing/detecting technologies as well as the product development experiences for short-, medium-, and long-range products, we will be able to offer suitable, commercialized products and services for each application and its market needs.

We have long followed a corporate core value of “fundamentals advocacy”. With this core value we will continue to face this highly competitive market and our various customers’ needs with the highest integrity, providing products with premium quality and performance and earning the highest profits for our shareholders by maintaining a positive corporate operation.

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

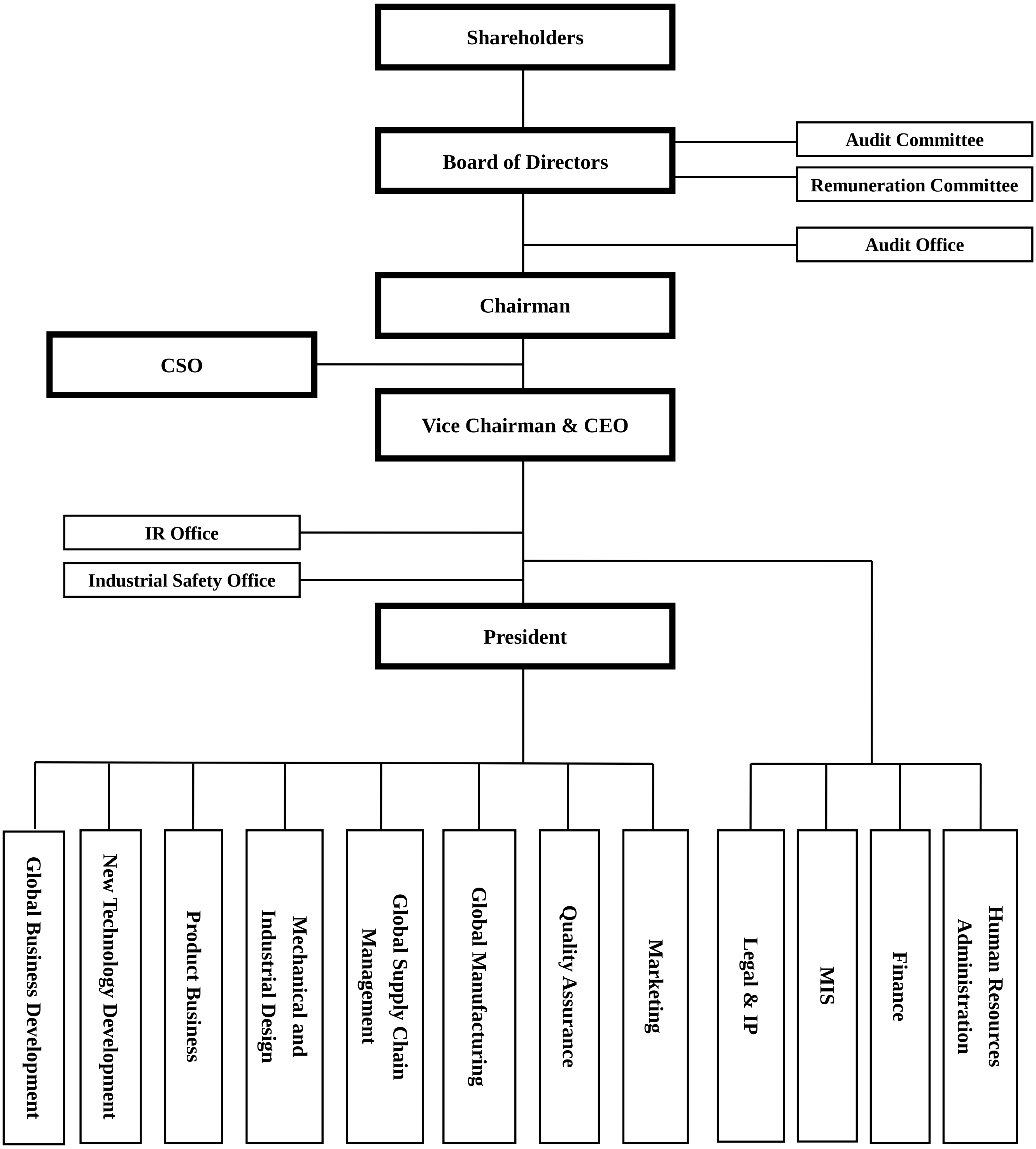
Dec.	1996	Wistron NeWeb Corporation was founded, located on Dongda Rd., Hsinchu, Taiwan.
April	1997	Established manufacturing plant on Fenggang Rd., in Zhubei City.
April	1998	Obtained ISO 9001 certification from RWTUV (Germany).
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
June	2000	Bluetooth product series honored with the Best Product Award at Computex Taipei 2000.
July	2000	Springboard Wireless Connector technology transferred from WIDCOMM (U.S.).
Aug.	2000	Officially commenced mass production of PHS handsets.
Sept.	2000	Bluetooth PDA Connector and IEEE 802.11b PCMCIA Card received the Taiwan Symbol of Excellence Award.
Dec.	2000	Established ANC Holding Corporation.
Oct.	2001	Established WNC Holding Corporation.
Dec.	2001	Bluetooth USB dongle received the Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park.
May	2002	Established NeWeb Holding Corporation.
July	2002	Honored with the Best International Import and Export Trade Growth in Taiwan.
Feb.	2003	Established W-NeWeb Corp. in the U.S.
Sept.	2003	Wistron NeWeb Corporation publicly listed on the Taiwan Stock Exchange.
Nov.	2003	IEEE 802.11a/g Switch received the Hsinchu Science Park 2003 Innovation Product Award.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in Mainland China.
March	2004	Established WNC (Kunshan) Corporation in Mainland China.
May	2004	Merger with Acer Netxus Inc. completed on May 31, 2004.
Nov.	2005	Obtained ISO 14001 certification 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 the 2006 CES Innovations Design and Engineering Award.
Feb.	2006	Obtained SONY Green Partner Certification.
April	2006	Established Wistron NeWeb (Kunshan) Corporation in Mainland China.
June	2006	GSM/Wi-Fi Dual Net Phone received the 2006 Best Choice of Computex Taipei Award.
Nov.	2006	Honored with the Hsinchu Science Park R&D Accomplishment Award.
July	2007	Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in Mainland China.
Dec.	2007	Started mass production of Ka/Ku ODU products.
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.

May	2008	Began construction of the new WNC headquarters building.
Sept.	2008	The Wi-Fi Media Frame wireless multimedia player received a Hsinchu Science Park Innovation Product Award.
Oct.	2008	Obtained OHSAS 18001 certification from RWTUV (Germany).
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Nov.	2009	Received the Hsinchu Science Park R&D Accomplishment Award.
Nov.	2009	Completed training programs for the EuP Directive 2005/32/EC and applied the principles in the product design processes.
Jan.	2010	Moved to 20 Park Avenue II (or Yuanchiu 2nd Rd), Hsinchu Science Park.
April	2010	Completed training programs for the ErP Directive 2009/125/EC and applied the principles in the product design processes.
June	2010	UI design artwork (Fun-Quick) received the 2010 iF communication design award.
Aug.	2010	Received the Contribution Award and the Invention Award at the 2010 National Invention & Creation Awards.
Oct.	2010	Received the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Hsinchu Science Park's Innovative Product Award.
Dec.	2010	Recognized in the 2010 Asiamoney Corporate Governance Poll as Overall Best for Investor Relations across Asia (among other awards).
April	2011	Obtained IECQ QC080000 (Hazardous Substance Process Management) and ANSI/ESD S20.20 (Electronic Discharge Control Program) certifications.
June	2011	Published the first edition of the Corporate Social Responsibility report.
Aug.	2011	Smart Shortcut hand-held interface received a reddot award for communication design.
Aug.	2011	Awarded the National HRD InnoPrize.
Sept.	2011	Automotive BSD radar system commenced shipping.
Sept.	2011	Honored with the Creation Award at the 2011 National Invention & Creation Awards.
Oct.	2011	Established the Irvine Office for the North American market.
Dec.	2011	Received the Hsinchu Science Park Innovative Product Award and the R&D Accomplishment Award.
March	2012	Established the New Jersey Office for the North American market.
July	2012	Established the WNC EICC management committee.
Sept.	2012	Won an Invention Award in the 2012 National Invention & Creation Awards.
Nov.	2012	4G Mobile Hotspot received the 2013 CES Innovations Design and Engineering Award.
Dec.	2012	Received the Industrial Development Bureau, Ministry of Economic Affairs Industrial Sustainable Excellence Award and the Hsinchu Science Park R&D Accomplishment Award.
April	2013	Recognized among the 2012 Deloitte Technology Fast500 Asia Pacific
Nov.	2013	Certified as an "Authorized Economic Operator (AEO)" by the Customs Administration, Ministry of Finance, R.O.C.
Nov.	2013	Ranked first in the CommonWealth magazine "Most Admired Company" 2013 survey among telecommunication enterprises in Taiwan.
Dec.	2013	Honored with the 2013 Hsinchu Science Park R&D Accomplishment Award and the Innovative Product 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
New Technology Development	New product design and technology development, design, sample production, technology transfers, product improvement, product failure analysis, fixture design/construction, and technical support for marketing departments and customers
Global Business Development	Development of new customers worldwide
Mechanical and Industrial Design	Product appearance development, mechanical design, and evaluation and supervision of product quality of qualified vendors
Global Manufacturing	Raw materials warehouse management, manufacturing, production schedule planning, manufacturing process planning and improvement, outsourcing management, and product inspection and delivery
Global Supply Chain Management	Global material planning, purchasing, 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 8, 2014)

<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 their Spouses and/or Minor Children</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">79,780,682</td><td rowspan="2">24.79%</td><td rowspan="2">0</td><td rowspan="2">0%</td><td>Bachelor’s</td><td>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
Chairman of Wiwynn
Chairman & CSO of Wistron NeWeb</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>Chairman of AnexTEK
Chairman of WiseCap
Chairman of WLB
Director of AOPEN
Director of Wistron ITS
Director of Changing
Director of IP Fund Two
Chairman of Nolvate Advanced Ltd.
Independent Director of Integrated System Solution (ISSC)
Supervisor of aEnrich Technology Corp.
Supervisor of Formosoft</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>5,226,652</td><td>1.62%</td><td>75,693</td><td>0.02%</td><td>Bachelor’s</td><td>Director of aEnrich Technology Corp.
Director of Wistron
Director of AOPEN
Independent Director of Raydium
Vice Chairman & CEO of Wistron NeWeb</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Director	Jeffrey Gau	06/17/2011	3	1,584,818	0.58%	1,956,706	0.61%	284,175	0.09%	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 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%	114,619	0.04%	0	0%	Master's	Independent Director of AU Optronics The representative of Acer as a member of board of directors Chairman of Acer Investment Inc. Director of AOPEN Director of Wistron ITS President and Director of iD SoftCapital Inc. Chairman of Smart Capital Corp. The representative of Dragon Investment Fund I Co. a member of board of directors The representative of iD innovation as a Supervisor on board of directors (and others)	-	-	-
Independent Director	Morgan Chang	06/17/2011	3	0	0%	0	0%	9,183	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	Independent Director of TSRC	-	-	-

Title	Name	Date Elected	Term (yrs)	Shares Held When Elected		Current Shareholding		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
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 Executive member of the Intelligent Transportation Society of Taiwan Executive member of the Taiwan Telematics Industry Association	-	-	-

3.2.2 Major shareholders of Wistron NeWeb Corporation's Institutional shareholders (April 13, 2014)

Name	Major Shareholders	Percentage (%)
Wistron Corporation	Bank SinoPac Trust Account	2.64
	The Master Trust Bank of Japan, Ltd. as trustee of PCA Asia Oceania High Dividend Equity Mother Fund	2.20
	GMO Emerging Markets Fund	2.19
	Fubon Life Insurance Company Limited	2.05
	Acer Incorporated	2.01
	Management Board of Public Service Pension Fund	1.91
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.72
	Cathay Life Insurance Co.,Ltd.	1.54
	Wistron Corp. Global Depositary Receipts	1.35
	Kuo Su-Mei	1.27
	Lin Jen-Mei	1.27

3.2.3 Major shareholders of the institutional shareholders listed in section 3.2.2 (April 20, 2014)

Name	Major Shareholders	Percentage (%)
Fubon Life Insurance Company Limited	Fubon Financial Holding Co., Ltd.	100
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.	100
Acer Incorporated	Yen, Wei	2.63
	Stan Shih	2.63
	Hung Rouan Investment Corp.	2.39
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.79
	Management Board of Public Service Pension Fund	1.22
	Acer GDR	1.20
	JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	1.09
	Credit Suisse Securities (Europe) Limited	0.63
	Carolyn Yeh	0.62
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.54

3.2.4 Information on Key Managers (April 8, 2014)

Title	Name	Date Assumed Office	Shares Held Directly		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
			Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CSO	Simon Lin	11/26/1996	2,367,977	0.74%	22,722	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 Chairman of Wiwynn	-	-	-
Vice Chairman & CEO	Haydn Hsieh	06/14/1990	5,226,652	1.62%	75,693	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	1,956,706	0.61%	284,175	0.09%	PhD	-	-	-	-
Senior Vice President	Larry Lee	08/16/2005	424,403	0.13%	2,059	0%	Master's	-	-	-	-
Vice President	Fayu Chen	04/07/2008	277,330	0.09%	877	0%	Master's	-	-	-	-
Vice President	Johnson Hsu	02/05/2010	204,511	0.06%	0	0%	Master's	-	-	-	-
General Plant Manager	Andrew Wong	12/01/2009	42,175	0.01%	0	0	Bachelor's	-	-	-	-
Chief Financial Officer	Jona Song	01/01/2002	481,870	0.15%	0	0%	Bachelor's	-	-	-	-
Chief Logistics Officer	Jasmine Huang	08/16/2005	348,125	0.11%	0	0%	Bachelor's	-	-	-	-
Chief Technology Officer	Horen Chen	11/05/2013	552,882	0.17%	47,601	0.01%	Bachelor's	-	-	-	-
Associate Vice President	Ray Lee	02/01/2006	291,781	0.09%	0	0	Bachelor's	-	-	-	-
Associate Vice President	Jeff Chang	08/05/2009	77,590	0.02%	0	0%	Bachelor's	-	-	-	-
Associate Vice President	Chris Hwang	02/05/2010	122,373	0.04%	0	0%	Master's	-	-	-	-

Title	Name	Date Assumed Office	Shares Held Directly		Shares Held by their Spouses and/or Minor Children		Education	Selected Current Positions	Spouse or Relative Holding a Position as Key Manager, Director, or Supervisor		
			Number	Percentage	Number	Percentage			Title	Name	Number
Associate Vice President	Bird Huang	02/05/2010	119,157	0.04%	0	0%	Master’s	-	-	-	-
Associate Vice President	TJ Chen	02/05/2010	99,311	0.03%	529	0%	Master’s	-	-	-	-
Associate Vice President	Apollo Shyong	04/05/2012	130,843	0.04%	0	0%	Master’s	-	-	-	-
Associate Vice President	Michael SY Chen	04/05/2012	10,000	0%	0	0%	Master’s	-	-	-	-
Associate Vice President	David Tsai	09/10/2012	0	0%	0	0%	Master’s	-	-	-	-
Associate Vice President	Dennis Kung	11/05/2013	0	0%	0	0%	Master’s	-	-	-	-
Associate Vice President	Kevin Chiang	04/07/2008	(Note 1)	(Note 1)	(Note 1)	(Note 1)	Master’s	-	-	-	-
Associate Vice President	CY Chang	06/05/2012	(Note 2)	(Note 2)	(Note 2)	(Note 2)	Master’s	-	-	-	-

Note 1: Kevin Chiang served as Vice President until June 27, 2013.
Note 2: CY Chang served as Vice President until November 5, 2013.

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	Discrepancies/ Reasons
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 for supervision over subsidiaries, rules governing endorsements and guarantees, loaning of funds, and the rules governing acquisition or disposal 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
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

Items	Implementation	Discrepancies/ Reasons
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 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: • Wistron NeWeb Corporation has established its corporate governance principles, and the principles were approved by the BOD on March 19, 2014. The principles are established for carrying out corporate governance and to maximize shareholder profits and sustainability in corporate operations. There is no discrepancy between the actual implementations and these principles.		
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

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
1. Exercise of Corporate Governance (1) The company declares its corporate social responsibility policy and examines the results of its implementation. (2) The company establishes exclusively (or concurrently) dedicated units in charge of proposing and enforcing CSR policy. (3) The company regularly promotes and organizes training on business ethics 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.	(1) The Corporate Social Responsibility Best-Practice Principles was resolved by the Board of Directors of WNC in May 2013 in order to implement matters pertaining to corporate social responsibility to strengthen its long-term goal of sustainable corporate development. The following are WNC's Corporate Social Responsibility objectives: ■ Maintain stable growth ■ Extend the company's CSR policy to the whole supply chain ■ Create an outstanding employee training environment ■ Support disadvantaged students (2) WNC's Marketing Center is in charge of coordinating 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's implementation. Further goals are set as necessary for future development and take effect after approval by the CEO. (3) WNC has implemented its internal regulations in accordance with applicable national laws. Policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, avoidance of conflicts of interest, information security, and public-welfare assistance are all included in the field of corporate compliance. WNC conveys these policies to new employees in their training and to the existing employees, managers, and the Board of Directors. Moreover, all WNC subsidiaries and affiliates are required to follow the same corporate-compliance guidelines. All employees are required to sign the WNC Employment Code of Conduct. WNC requires all employees to uphold high ethical standards and abide by norms of integrity while in execution of their daily duties to protect company credibility. Any violations of the guidelines will directly affect the employee's performance appraisal, and he or she will be punished according to related punishment measures.	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
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. (4) The company monitors the impact of climate change on its operations and establishes strategies for energy conservation and carbon and greenhouse-gas reduction.	(1) WNC cooperates with its suppliers to achieve international environmental standards and provide its customers with green products that are energy-efficient, toxin-free or of low toxicity, produce low amounts of emissions, and have design and production services aimed at recyclability and renewability as well as having less impact on the environment. With product LCA (life cycle assessment) principles at the forefront, WNC identifies eco-design parameters such as hazardous-substance restrictions, energy efficiency, recycling and reuse, and environmental information disclosure. Meanwhile, WNC raises supplier-side requirements to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC. For details, please refer to Environmental Protection section in WNC's Corporate Social Responsibility Report. (2) WNC has established an environmental management system. WNC Taiwan and its subsidiaries in China have obtained ISO 14001: 2004 certification and are continuing to improve. (3) WNC's Green Product section of its Quality Assurance Division and Facility & ESH Department of the Human Resources Administration Division are in charge of green-product management and environmental-management matters and their related training, respectively. (4) WNC performs stage-by-stage greenhouse gas inventories, certification, and control according to planning and continues to promote low-carbon, energy-saving actions. For details, please refer to the Environmental Protection section in WNC's Corporate Social Responsibility Report.	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
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. (2) The company provides a safe and healthy work environment for its employees and organizes safety and health training on a regular basis. (3) The company has established a regular communication mechanism and uses reasonable manners to inform employees of critical operational changes. (4) The company establishes and discloses policies on consumer	(1) WNC complies with relevant labor laws and regulations, values the international principles respecting basic labor rights, voluntarily follows the spirit of the Electronic Industry Citizenship Coalition's (EICC) Code of Conduct and plans to expand the EICC's Code of Conduct requirements in its supply chain as a whole. 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 carry out its code of ethics and preserve 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) WNC has worked proactively to establish a safe and healthy working environment. WNC Taiwan and its subsidiaries in China have obtained OHSAS 18001: 2007 certification and established the Labor Safety and Health Committee. In addition to establishing ESH policies, WNC pays great attention to employees' education and to the execution of our health and safety regulations in our daily work to strengthen disaster precautions. Fire-prevention training is organized periodically. WNC also holds traffic safety forums, health forums, health-enhancement activities, as well as occupational safety and health training non-periodically to enhance employees' health concepts and occupational-safety-related awareness. Currently there are two nursing professionals attending to the company's employee health and nursing needs. (3) WNC has established an Employee Representative Committee and an Employee Welfare Committee. Committee meetings are held quarterly and meeting minutes are announced after the meeting. Besides the regular communication mechanisms, employee satisfaction surveys and discussions are held non-periodically to enhance relations between management and employees. In order to meet different demands and	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
rights and interests and provides a clear and effective procedure for handling consumer complaints. (5) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (6) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charitable events.	cultural practices in China, each WNC subsidiary in China has established communication channels such as an employee-concern hotline and an e-mail contact to provide employees with consultation and assistance. For details, please refer to the Employee Well-Being section in WNC's Corporate Social Responsibility Report. (4) WNC is an ODM/JDM/OEM manufacturer, and our customers directly address all types of consumer-rights affairs. To raise the level of trust and satisfaction that customers hold for WNC's products, our customer services division has also instituted a customer satisfaction mechanism. Every year a satisfaction survey and analysis is carried out on product quality, technology, delivery, and other service items. Through this customer satisfaction survey, analysis of reasons for dissatisfaction are passed to related business units for drawing up and execution of plans for improvement and tracking of improvement initiatives. These improvements have helped us win customer recognition. (5) WNC not only guides corporate social responsibility policy for its suppliers but also has co-established and complied with the following items: ■ Restricted Usage of Environmentally Hazardous Substances ■ Non-Use of Conflict Minerals ■ Supplier CSR Survey For details, please refer to the Supply Chain Management section in WNC's Corporate Social Responsibility Report. (6) 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 children, assistance to charitable organizations, and collection of disaster relief funds. For details, please refer to the Social Care section in WNC's Corporate Social Responsibility Report.	

<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></td><td></td><td></td></tr>
<tr><td>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.</td><td>(1) A corporate social responsibility section and a designated e-mail contact have been created on WNC's website to provide a thorough consultation service. Meanwhile, WNC has also responded to the CDP (Carbon Disclosure Project) and the EcoVadis platform's related surveys to evaluate and disclose WNC's CSR performance and results through an impartial third party.
(2) WNC's CSR report is published in June every year. A revised edition of this report is 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 and environmental obligations. It reviews and explains the issues that stakeholders are concerned with and includes corporate governance, care for employees, environmental protection, supply-chain management, and social participation.</td><td>None</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="3">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:

For detailed information, please refer to WNC's CSR report at http://www.wnc.com.tw.</td></tr>
<tr><td colspan="3">7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below:

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 those relating to the FCC, Wi-Fi, RoHS, WEEE, REACH, and the EU</td></tr>
</table>

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
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. Wistron NeWeb (Kunshan) Corporation and the Kunshan plants of WebCom Communication (Kunshan) Corporation obtained CQC ISO 14064 certification in 2012 and 2013, respectively.		

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
CC01101 Restricted telecommunication radio frequency equipment and materials manufacturing
CC01080 Electronic parts and components manufacturing
F401021 Restricted telecommunication radio frequency equipment and materials import business
F401010 International trade business
F401030 Manufacturing and exporting business
F401041 Manufacturing and exporting business
Research, development, manufacturing, and sales of products as below:
(1) Satellite 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$

Item \ Year	2013	
	Amount	Percentage (%)
Wireless communications products	35,501,296	96.86
Other	1,152,365	3.14
Total	36,653,661	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
I. NFC antennas

(3) Other wireless products

A. Automotive safety radars

4. New products under development

(1) Satellite communications product series

Next-generation satellite receiving systems

(2) Mobile and handheld communications product series

System modules for handheld devices

II. Industry Overview

1. Industry Development Trends and Current Market Status

WNC has concentrated its attention on wireless technology in a range of frequency bands for many years and has become experienced in designing antennas which are very critical for the performance of wireless communications devices. 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 2013, 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 100 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 2013. With the current rebound in auto sales, subscribers have increased to over 25 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 and telematics services 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. In 2013, the quantity of smartphones shipped surpassed feature phones for the first time. Digitimes estimates that the quantity of smartphones shipped in 2014 will continue to grow and will reach

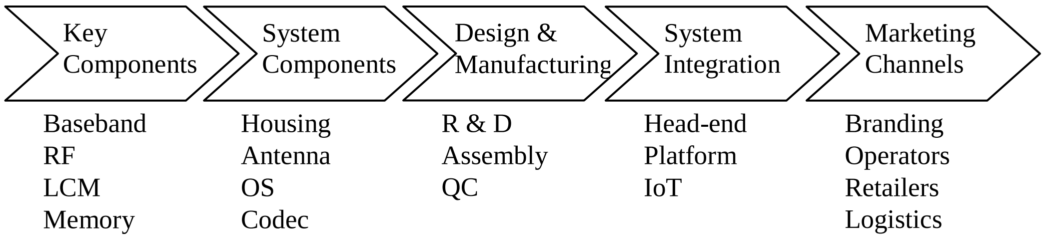
1.24 billion units.

In addition to smartphones, the tablet market is also developing rapidly. The shipment of non-Apple tablets continues to grow after the participation of much more suppliers in this market. Large tablet shipment volumes are also highly anticipated in 2014. With an estimated 289 million shipments of tablets, tablets will have more units shipped than notebook PCs by more than 100 million units. 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 and more diversified Internet-access methods for customers while also strengthening their connection quality. 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, resulting in performance that is three times faster than IEEE 802.11n. In 2013, not only did major networking product providers roll out IEEE 802.11ac products, smartphone suppliers also actively implemented this technology into their products. IEEE 802.11ad (WiGig) technology, which features a speed of up to 7 Gigabits and allows non-compression delivery for audio/video content, also continues to be developed. Inter-connection certifications of IEEE 802.11ad products are estimated to start in late 2014. Major chipset suppliers also are rolling out related products in 2014 that allow more diversified applications for wireless communication products. As for other CE products, the ratio of products equipped with Wi-Fi function continues to increase thanks to social networking trends and the advent of the digital-home. MIC has predicted that digital cameras with Wi-Fi functionality will have a 40% penetration rate in 2016, while Wi-Fi TV will also have a penetration rate of 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 approximately 70% in 2013. The Wi-Fi capability rates for Cable Modems and DSL CPEs continue to grow and are expected to increase to 86% and 95%, respectively, in 2016. 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.



3. Product Development Trends

(1) Digital home applications in full development

In recent years, with the active promotion of operators in TV, telecommunications, and Internet video markets, IP video services and integration of the mobile device and television has become a dominant subject in marketing. Examples such as interaction and multi-screen services have brought new opportunities for digital-home AV applications and equipment. Additionally, home security and intelligent control also become the next critical targets for operators and equipment suppliers in digital-home applications. Security-service providers, broadband service operators, and TV operators in North America are now deploying such services aggressively. These companies use sensors supporting wireless technologies including Wi-Fi, Bluetooth, ZigBee, and Z-Wave to provide users with surveillance and automatic control functions. Along with the use of mature broadband and mobile devices, overall user experiences are becoming more complete and convenient. With strong communication technologies in various wireless-network applications, WNC is capable of utilizing its high flexibility in manufacturing to grow our capabilities together with customer trends.

(2) New satellite product development trends

Satellite broadcasting is characterized by long distances, huge bandwidths, and wide coverage, and is well-suited for sending signals and detecting high-speed objects. Under the influence and competitive pressure of these rapidly growing network broadcasting technologies, new products have been developed for satellite broadcasting applications (such as IP LNB and 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 2012, and experienced explosive growth globally in 2013. 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 cells and accurate grid configuration, this promises a better balance between cost and quality and avoids the cost-recovery challenges associated with the 3G era while offering better mobile network experiences for their subscribers. In line with this opportunity, WNC is seeking to leverage its professional antenna design capacity to provide high-quality networks to operators. With in-depth cooperation with chip manufacturers, WNC is able to provide customers with one-stop-shop solutions and can see great potential in staking out a key position in this emerging market.

III. Technology Research and Development

1. Research & development expenditures during the last fiscal year and the current fiscal year up to March 31, 2014.

Unit: Thousand NT$

Year	2013	Up to Mar. 31, 2014
R&D expenditures	1,549,548	338,407
Percentage of total revenue	4.23%	4.12%

2. Successfully developed technologies or products

(1) Satellite communications product series

Year	Technology or Product
2013	A. Satellite to IP receiver systems B. Advanced Optical LNBFs

(2) Mobile and handheld communications product series

Year	Technology or Product
2013	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

Year	Technology or Product
2013	A. High-end automotive safety radar product series

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 to establish integrated marketing channels.

(2) Operations Management

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

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

2. Long-term business development plans

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

(2) Operation Management

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

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

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

(3) Operational Scale in Cooperation with Financial Policy

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

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

4.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year		2012		2013	
		Amount	Percentage of Revenue	Amount	Percentage of Revenue
Export Sales	Americas	17,798,737	51.69%	17,882,221	48.79%
	Asia	10,623,007	30.85%	10,352,912	28.25%
	Europe	2,466,500	7.16%	5,231,806	14.27%
	Others	116,509	0.34%	254,676	0.69%
	Total	31,004,753	90.04%	33,721,615	92.00%
Domestic Sales		3,429,766	9.96%	2,932,046	8.00%

2. Market share

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

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. Our abilities in the design and manufacturing of LDS antennas can assist customers designing size-critical 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 195 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
In 2013, the market for mobile devices including smartphones and tablets has continued to grow, and the annual shipments of tablets surpassed notebook PC shipments. Mobile

computing has become the target market for most vendors and drove growth in shipments of mobile-phone antennas and other mobile-phone components. With the decreasing cost of mobile broadband and in the face of the next few years' trend of strong growth in smartphones, the integration of cross-industry product services centering on software will become more and more important. For example, applications that use high-speed mobile networks to transfer driving data and vehicle operation information to a cloud server and then synchronizing that information to handheld devices for users to assess their vehicle state in real-time. Other examples are applications that integrate multiple communication technologies to more precisely obtain information on electricity usage to improve the efficiency of the smart grid. These are all great opportunities for future IoT markets.

A variety of network applications have also clearly demonstrated the concept of the digital home. From STB, NAS, IP Radio, 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 systems

WNC devotes itself to product quality management. It not only has earned international certifications such as ISO 9001, ISO 14001, ISO 14064, ISO/TS 16949, IECQ QC080000, OHSAS 18001, 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 is continuously growing, and WNC is always able to maintain the advantage by keeping competitive economies of scale. In addition to its lean cost-control mechanism, WNC not only assures the company's steady profit-making capabilities but also continuously enhances the company's total operational performances.

5. Future development factors and strategies in response

(1) Favorable factors:

A. Growth of the digital broadcast industry

With the advent of the digital age, rapid and flexible digital communications are a reality. Apple's iPod, among other products, has lead to a storm of digital music. 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 industrial operations. While the European debt crisis has been 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

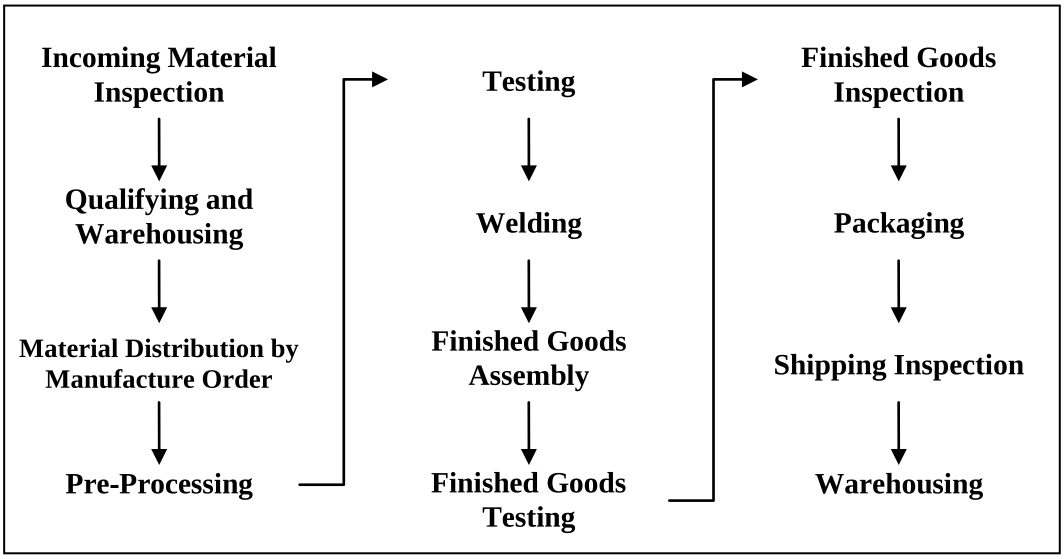
1. Primary Applications

	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	<u>WLAN Networks:</u> The GSM protocol for WAN wireless communications formulated by the CEPT (European Conference of Postal and Telecommunications Administrations) in 1982 has now been widely accepted by the global telecom market and has gradually adopted advanced standards with higher bandwidths, wider coverage, and low power consumption. It has evolved from the 2G and 2.5G standards (which focused on voice communication) into the HSPA protocol that focuses on material services.

	Satellite Communications Product Series	Mobile and Handheld Devices
	high quality and large capacity and utilize microwave bands and re-utilize all other frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	Moreover, the latest 4G standards including WiMAX and LTE which utilize OFDM technologies were developed from 2008 to 2010. With the increasing deployment of LTE and LTE-A by operators, the worldwide mobile network is entering a new era of high-speed mobile broadband and has started the development of related markets. <u>Broadband Networks:</u> To enable interoperability between different WLAN solutions and create a unified standard for communications between wireless and wired transmission, the IEEE (Institute of Electrical and Electronics Engineers) has defined the IEEE 802.11 standards for wireless LAN. As for middle- and long-distance wireless communications within 30 meters to 300 meters, any devices complying with IEEE 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with IEEE 802.11 standards.
Main Applications	Are mainly applied to satellite TV, satellite broadcasting, and digital broadcasting services. They are utilized in areas that lack telecom services or across vast areas of land while providing diversified sources of information.	<u>WLAN Networks:</u> The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of the 3G and 4G high-bandwidth technologies described above, the mobile broadband market and related industries is expected to develop at a rapid pace. The development will not only bring improved user experiences in mobile wireless broadband, but may also form a new industry structure and generate competition among highly integrated terminal devices, revolutionizing the entire telecom industry. <u>Broadband Networks (IEEE 802.11X):</u> The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on IEEE 802.11 standards. IEEE 802.11 standards support long transmission distances and high data rates. At present, products conforming to IEEE 802.11a/b/g/n/ac have a data rate of 1 Gbps and a range of 30 meters to 300 meters. Therefore, WLAN products are usually applied in larger environments where wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For

	Satellite Communications Product Series	Mobile and Handheld Devices
		instance, in-home and public-area networks and enterprise applications can cover markets such as homes, enterprises, logistics, and medical care. Currently, WLAN applications are integrated with multimedia functionality and have become a trend in the wireless digital-home network market.

2. Production Process



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

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

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

IV. Key Accounts During the Most Recent Two Years

1. Key Buyers

Unit: Thousand NT$

	2012				2013			
	From*	Amount	Percentage of Total Net Sales (%)	Relationship with Wistron NeWeb	From*	Amount	Percentage of Total Net Sales (%)	Relationship with Wistron NeWeb
1	Customer D	9,859,801	29	-	Customer D	7,480,616	20	-
2	Other	24,574,718	71	-	Other	29,173,045	80	-
	Total	34,434,519	100	-	Total	36,653,661	100	-

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

2. Key Suppliers: None

V. Production Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2012			2013		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless Communication Products	294,610,000	290,848,402	30,044,835	312,590,000	306,651,668	31,284,258
Other	0	0	0	0	0	0
Total	294,610,000	290,848,402	30,044,835	312,590,000	306,651,668	31,284,258

VI. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Year / Sales Value / Major	2012				2013			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless Communication Products	21,837,254	2,762,973	233,312,647	30,477,419	21,273,134	2,394,753	218,423,691	33,106,543
Other		666,793		527,334		537,293		615,072
Total	21,837,254	3,429,766	233,312,647	31,004,753	21,273,134	2,932,046	218,423,691	33,721,615

4.3 Employee Data During the Most Recent Two Years

Year		2012	2013
Number of Employees	Sales	215	222
	R&D	871	870
	Manufacturing	734	691
	Administration	842	750
	Direct Labor	6792	6465
Total		9454	8998
Average Age		23.35	26.33
Average Years of Service		1.72	1.76

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; pollutants such as waste gases, waste water, undesirable noise, or toxic substances, are rarely generated. In addition, except for CO_2 emitted due to power consumption, there are no other air pollutants generated (such as NO_X or SO_X). As for the disposal of waste materials, WNC invites only specialist operators recognized by Taiwan's EPA and makes related declarations online as required to ensure that no environmental contamination occurs. WNC implements all applicable pollution prevention tasks in a positive feedback cycle under its well-prepared management system and regularly inspects its waste treatment plant to ensure its proper operation. Furthermore, it continuously carries out a systematic operational management scheme to improve environmental health and safety and has received ISO 14001: 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: None

5. Financial Standing

5.1 Most Recent Five-Year Concise Financial Information

5.1.1 Financial Information Based on IFRSs: Consolidated

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Five-Year Financial Information					Financial Information as of March 31, 2014
		2009	2010	2011	2012	2013	
Current assets		-	-	-	15,251,582	16,797,438	16,576,223
Property, plant, and equipment		-	-	-	4,762,197	4,669,660	4,858,944
Intangible assets		-	-	-	54,114	56,858	67,899
Other assets		-	-	-	743,314	746,274	616,919
Total assets		-	-	-	20,811,207	22,270,230	22,119,985
Current liabilities	Before distribution	-	-	-	9,576,983	11,338,995	10,930,030
	After distribution	-	-	-	10,246,251	Note	Note
Non-current liabilities		-	-	-	1,785,748	408,630	403,947
Total liabilities	Before distribution	-	-	-	11,362,731	11,747,625	11,333,977
	After distribution	-	-	-	12,031,999	Note	Note
Equity attributable to parent company		-	-	-	9,448,476	10,522,605	10,786,008
Common stock		-	-	-	3,045,415	3,225,014	3,220,792
Capital surplus		-	-	-	2,051,579	2,212,882	2,287,003
Retained earnings	Before distribution	-	-	-	4,422,251	5,173,321	5,419,603
	After distribution	-	-	-	3,661,719	Note	Note
Other equity		-	-	-	(70,769)	(88,612)	(141,390)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Equity	Before distribution	-	-	-	9,448,476	10,522,605	10,786,008
	After distribution	-	-	-	8,779,208	Note	Note

Source: Consolidated financial statements audited by a CPA; financial information as of the end of first quarter, 2014, reviewed and approved by a CPA

Note: The resolution for earnings distribution for Year 2013 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Consolidated Income Statement

Unit: Thousand NT$

Period / Item	Most Recent Five-Year Financial Information					Financial Information as of March 31, 2014
	2009	2010	2011	2012	2013	
Operating revenue	-	-	-	34,434,519	36,653,661	8,217,401
Gross profit	-	-	-	4,655,244	5,191,044	1,038,962
Operating income	-	-	-	1,483,719	1,783,136	301,962
Non-operating income and expenses	-	-	-	(51,348)	176,967	10,202
Net profit before taxes	-	-	-	1,432,371	1,960,103	312,164
Continuing operations' income for the period	-	-	-	1,109,748	1,518,331	246,282
Losses from discontinued operations	-	-	-	-	-	-
Net income (loss)	-	-	-	1,109,748	1,518,331	246,282
Other comprehensive income for the period (net after-tax)	-	-	-	(68,058)	167,222	(12,494)
Total comprehensive income for the period	-	-	-	1,041,690	1,685,553	233,788
Net income to parent's shareholders	-	-	-	1,109,748	1,518,331	246,282
Net income to non-controlling interests	-	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	-	-	1,041,690	1,685,553	233,788
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS (NT$)	-	-	-	3.66	4.84	0.78

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter, 2014, reviewed and approved by a CPA

5.1.2 Financial Information Based on IFRSs: Independent

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Five-Year Financial Information				
		2009	2010	2011	2012	2013
Current assets		-	-	-	11,725,594	13,108,459
Property, plant, and equipment		-	-	-	1,880,146	1,858,562
Intangible assets		-	-	-	51,940	54,937
Other assets		-	-	-	4,205,475	4,625,107
Total assets		-	-	-	17,863,155	19,647,065
Current liabilities	Before distribution	-	-	-	6,628,931	8,715,835
	After distribution	-	-	-	7,298,199	Note
Non-current liabilities		-	-	-	1,785,748	408,625
Total liabilities	Before distribution	-	-	-	8,414,679	9,124,460
	After distribution	-	-	-	9,083,947	Note
Equity attributable to parent company		-	-	-	-	-
Common stock		-	-	-	3,045,415	3,225,014
Capital surplus		-	-	-	2,051,579	2,212,882
Retained earnings	Before distribution	-	-	-	4,422,251	5,173,321
	After distribution	-	-	-	3,661,719	Note
Other equity		-	-	-	(70,769)	(88,612)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Equity	Before distribution	-	-	-	9,448,476	10,522,605
	After distribution	-	-	-	8,779,208	Note

Source: Independent financial statements audited by a CPA
Note: The resolution for earnings distribution for Year 2013 has not yet been approved at the Shareholders' Meeting; the distribution numbers are tentative and not listed.

2. Concise Independent Income Statement

Unit: Thousand NT$

Period / Item	Most Recent Five-Year Financial Information				
	2009	2010	2011	2012	2013
Operating revenue	-	-	-	32,103,091	35,177,877
Gross profit	-	-	-	3,716,317	4,118,613
Operating income	-	-	-	3,787,372	4,130,342
Non-operating income and expenses	-	-	-	22,844	391,666
Net profit before taxes	-	-	-	1,373,958	1,864,868
Continuing operations' income for the period	-	-	-	1,109,748	1,518,331
Losses from discontinued operations	-	-	-	-	-
Net income (loss)	-	-	-	1,109,748	1,518,331
Other comprehensive income for the period (net after-tax)	-	-	-	(68,058)	167,222
Total comprehensive income for the period	-	-	-	1,041,690	1,685,553
Net income to parent's shareholders	-	-	-	1,109,748	1,518,331
Net income to non-controlling interests	-	-	-	-	-
Total comprehensive income to parent's shareholders	-	-	-	1,041,690	1,685,553
Total comprehensive income to non-controlling interests	-	-	-	-	-
EPS (NT$)	-	-	-	3.66	4.84

Source: Independent financial statements audited by a CPA

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

1. Concise Consolidated Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information			
		2009	2010	2011	2012
Current assets		9,323,674	13,278,907	16,496,797	15,305,884
Fund and long-term equity investments		126,211	181,409	196,823	201,779
Net property, plant, and equipment		3,396,891	4,277,877	4,4497,824	4,457,945
Intangible assets		101,507	112,651	125,913	129,530
Other assets		271989	350,427	693,023	671,633
Total assets		13,220,272	18,201,271	22,010,380	20,766,771
Current liabilities	Before distribution	6,522,929	9,930,126	10,918,274	9,512,061
	After distribution	6,969,576	10,883,251	11,930,303	10,181,329
Corporate bonds payable		0	0	1,434,637	1,460,882
Other liabilities		68,409	146,067	309,073	306,201
Total liabilities	Before distribution	6,591,338	10,076,193	12,661,984	11,279,144
	After distribution	7,037,985	11,029,318	13,674,013	11,948,412
Common stock		2,521,711	2,735,335	2,899,106	3,045,415
Capital surplus		1,491,320	1,727,300	1,954,973	2,051,579
Retained earnings	Before distribution	2,755,180	3,733,448	4,353,702	4,325,357
	After distribution	2,184,464	2,644,162	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		12,614	2,347	4,572	8,314
Translation adjustments and other equity adjustments		62,130	(73,352)	136,043	56,962
Stockholders' equity	Before distribution	6,628,934	8,125,078	9,348,396	9,487,627
	After distribution	6,182,287	7,171,953	8,336,367	8,818,359

Source: Consolidated financial statements audited by a CPA

2. Concise Consolidated Income Statement

Unit: Thousand NT$

Item \ Period	Most Recent Financial Information			
	2009	2010	2011	2012
Operating revenue	15,903,518	27,338,387	33,982,114	34,434,519
Gross profit	3,072,207	4,738,921	5,286,186	4,681,645
Operating income	1,063,434	1,960,225	2,078,840	1,484,669
Non-operating income	79,119	188,299	247,070	124,569
Non-operating expenses	65203	149,559	96,788	174,253
Income from continuing operations before income taxes	1,077,350	1,998,965	2,229,122	1,434,985
Net income for continuing operations	821,623	1,548,984	1,709,540	1,128,260
Net income	821,623	1,548,984	1,709,540	1,128,260
EPS (NT$)	3.35	5.92	5.98	3.72

Source: Consolidated financial statements audited by a CPA

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

1. Concise Independent Balance Sheets

Unit: Thousand NT$

Item \ Period		Most Recent Financial Information			
		2009	2010	2011	2012
Current assets		7,201,142	10,155,058	12,241,933	11,780,163
Fund and long-term equity investments		1,905,875	2,890,746	3,850,079	3,834,822
Net property, plant, and equipment		1,617,820	2,006,356	2,040,883	1,727,002
Intangible assets		27,541	36,874	42,537	51,940
Other assets		196,385	226,348	204,780	519,462
Total assets		10,948,763	15,315,382	18,380,212	17,913,389
Current liabilities	Before distribution	4,251,420	7,044,237	7,288,106	6,658,679
	After distribution	4,698,067	7,997,362	8,300,135	7,327,947
Corporate bonds payable		0	0	1,434,637	1,460,882
Other liabilities		68,409	146,067	309,073	306,201
Total liabilities	Before distribution	4,319,829	7,190,304	9,031,816	8,425,762
	After distribution	4,766,476	8,143,429	10,043,845	9,095,030
Common stock		2,521,711	2,735,335	2,899,106	3,045,415
Capital surplus		1,491,320	1,727,300	1,954,973	2,051,579
Retained earnings	Before distribution	2,755,180	3,733,448	4,353,702	4,325,357
	After distribution	2,184,464	2,644,162	3,197,097	3,564,825
Unrealized gain (loss) of financial instruments		12,614	2,347	4,572	8,314
Translation adjustments and other equity adjustments		62,130	(73,352)	136,043	56,962
Stockholders' equity	Before distribution	6,628,934	8,125,078	9,348,396	9,487,627
	After distribution	6,182,287	7,171,953	8,336,367	8,818,359

Source: Financial statements audited by a CPA

2. Concise Independent Income Statement

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

Unit: Thousand NT$

Source: Financial statements audited by a CPA

5.1.5 CPA Opinions in the Most Recent Five Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
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
2013	KPMG	Mei-Yu Tseng, Sing-Hai Wei	Unreserved

5.2 Most Recent Five-Year Financial Analysis

5.2.1 Financial Analysis Based on IFRSs: Consolidated

Item	Period	Most Recent Five-Year Financial Information					For the year ending March 31, 2014
		2009	2010	2011	2012	2013	
Financial ratio (%)	Total liabilities to total assets	-	-	-	54.6	52.75	51.24
	Long-term debts to property, plant, and equipment	-	-	-	229.08	225.34	221.98
Ability to pay off debt (%)	Current ratio	-	-	-	159.25	148.14	151.66
	Quick ratio	-	-	-	123.48	119.82	125.47
	Interest coverage ratio	-	-	-	15.22	31.02	18.47
Ability to operate	A/R turnover (times)	-	-	-	5.62	6.63	5.97
	A/R turnover days	-	-	-	65	55	61
	Inventory turnover (times)	-	-	-	8.16	9.72	9.68
	Accounts payable turnover (times)	-	-	-	6.27	6.66	5.80
	Days sales outstanding	-	-	-	45	38	38
	Property, plant, and equipment turnover (times)	-	-	-	7.15	7.77	6.90
	Total assets turnover (times)	-	-	-	1.60	1.70	1.48
Earnings ability	Return on assets (%)	-	-	-	5.53	7.28	4.69
	Return on equity (%)	-	-	-	11.83	15.21	9.25
	Profit before tax to paid-in capital ratio (%)	-	-	-	47.14	61.01	38.82
	Net income ratio (%)	-	-	-	3.22	4.14	3.00
	EPS (NT$)	-	-	-	3.66	4.84	0.78
Cash flow (%)	Cash flow ratio (%)	-	-	-	27.86	36.63	0.25
	Cash flow adequacy ratio (%)	-	-	-	Note	Note	Note
	Cash reinvestment ratio (%)	-	-	-	11.53	23.37	0.18
Leverage	Operating leverage	-	-	-	1.66	1.55	1.82
	Financial leverage	-	-	-	1.07	1.04	1.06

Source: Consolidated financial statements audited by a CPA; financial information as of the end of the first quarter, 2014, reviewed and approved by a CPA

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

5.2.2 Financial Analysis Based on IFRSs: Independent

Item	Period	2009	2010	2011	2012	2013
		Most Recent 5-Year Financial Information				
Financial ratio (%)	Total liabilities to total assets	-	-	-	47.11	46.44
	Long-term debts to property, plant, and equipment	-	-	-	580.24	566.17
Ability to pay off debt (%)	Current ratio	-	-	-	176.89	150.40
	Quick ratio	-	-	-	158.02	139.74
	Interest coverage ratio	-	-	-	33.74	44.76
Ability to operate	A/R turnover (times)	-	-	-	4.78	5.86
	A/R turnover days	-	-	-	76	62
	Inventory turnover (times)	-	-	-	27.85	29.28
	Accounts payable turnover (times)	-	-	-	7.09	8.17
	Days sales outstanding	-	-	-	13	12
	Property, plant, and equipment turnover (times)	-	-	-	16.88	18.82
	Total assets turnover (times)	-	-	-	1.77	1.88
Earnings ability	Return on assets (%)	-	-	-	6.32	8.28
	Return on equity (%)	-	-	-	11.83	15.21
	Profit before tax to paid-in capital ratio (%)	-	-	-	45.22	58.05
	Net income ratio (%)	-	-	-	3.46	4.32
	EPS (NT$)	-	-	-	3.66	4.84
Cash flow (%)	Cash flow ratio (%)	-	-	-	12.82	36.83
	Cash flow adequacy ratio (%)	-	-	-	Note 1	Note 1
	Cash reinvestment ratio (%)	-	-	-	Note 2	20.82
Leverage	Operating leverage	-	-	-	1.19	1.23
	Financial leverage	-	-	-	1.03	1.03

Source: Independent financial statements audited by a CPA

Notes:
1. Financial data calculated according to IFRS standards for less than 5 years.
2. Net cash flow from operating activities is negative and has no value for analysis.

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

Item		Period	Most Recent Financial Information 2009	2010	2011	2012
Liquidity ratios (%)	Total liabilities to total assets		49.86	55.36	57.53	54.31
	Long-term debts to fixed assets		195.15	189.93	239.74	245.60
Debt ratios (%)	Current ratio		142.94	133.72	151.09	160.91
	Quick ratio		114.28	101.17	113.79	124.91
	Interest coverage ratio		18.19	38.30	24.17	15.25
Activity ratios	A/R turnover (times)		4.75	6.22	5.54	5.67
	A/R turnover days		77	59	66	64
	Inventory turnover (times)		6.32	9.29	8.16	8.16
	Accounts payable turnover (times)		4.36	5.87	5.62	6.27
	Days sales outstanding		58	39	45	45
	Fixed assets turnover (times)		4.68	6.39	7.56	7.72
	Total assets turnover (times)		1.2	1.5	1.54	1.66
Earnings ability	Return on assets (%)		6.61	10.12	8.87	5.65
	Return on equity (%)		13.04	21	19.57	11.98
	Paid-in capital ratio (%)	Operating income	42.17	73.07	72.86	48.86
		PBT	42.72	74.51	77.86	47.23
	Net income ratio (%)		5.17	5.67	5.03	3.28
	EPS (NT$)		3.35	5.92	5.98	3.72
Cash flow (%)	Cash flow ratio		28.5	15.55	13.84	28.09
	Cash flow adequacy ratio		100.68	77.23	71.08	79.46
	Cash reinvestment ratio		19.26	10.59	4.06	11.63
Leverage	Operating leverage		1.51	1.33	1.43	1.66
	Financial leverage		1.06	1.03	1.05	1.07

Source: Consolidated financial statements audited by a CPA

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

Item			Most Recent Financial Information (Period)			
			2009	2010	2011	2012
Liquidity ratios (%)	Total liabilities to total assets		39.45	46.95	49.14	47.04
	Long-term debts to fixed assets		413.97	412.25	528.35	633.96
Debt ratios (%)	Current ratio		169.38	144.16	167.97	176.91
	Quick ratio		153.93	129.1	156.18	158.13
	Interest coverage ratio		79.56	139.63	78.51	34.19
Activity ratios	A/R turnover (times)		3.84	5.7	4.81	4.82
	A/R turnover days		95	64	76	76
	Inventory turnover (times)		16.36	27.1	30.34	27.83
	Accounts payable turnover (times)		5.58	7.87	6.71	7.08
	Days sales outstanding		22	13	12	13
	Fixed assets turnover (times)		8.20	12.89	15.63	18.59
	Total assets turnover (times)		1.21	1.69	1.74	1.79
Earnings ability	Return on assets (%)		7.76	11.88	10.28	6.41
	Return on equity (%)		13.04	21	19.57	11.98
	Paid-in capital ratio (%)	Operating income	27.68	46.66	44.27	44.52
		PBT	42.45	69.91	73.72	45.84
	Net income ratio (%)		6.19	5.99	5.36	3.51
	EPS (NT$)		3.35	5.92	5.98	3.72
Cash flow (%)	Cash flow ratio		31.93	7.62	19.04	12.77
	Cash flow adequacy ratio		170.25	117.02	111.29	87.84
	Cash reinvestment ratio		14.42	0.95	3.5	Note
Leverage	Operating leverage		1.14	1.29	1.26	1.19
	Financial leverage		1.02	1.01	1.02	1.03
Note: Net cash flow from operating activities is negative and has no value for analysis.						

Source: Independent financial statements audited by a CPA

5.3 2013 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2013 Business Report, Financial Statements (Balance Sheets, Statements of Comprehensive Income, Statements of Changes in 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, 2014 Annual Shareholders' Meeting

Audit Committee convened by: Morgan Chang

March 19, 2014

5.4 Financial Reports

Independent Auditors' Report

The Board of Directors

Wistron NeWeb Corporation:

We have audited the accompanying consolidated balance sheets of Wistron NeWeb Corporation and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by Financial Supervisory Commission of the Republic of China.

We have also audited the parent-company-only financial statements of Wistron NeWeb Corporation as of and for the years ended December 31, 2013 and 2012, on which we have issued an unqualified report.

March 19, 2014

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

The auditors' report and the accompanying 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 and Subsidiaries

Consolidated Balance Sheets

December 31, 2013 and 2012, and January 1, 2012

(expressed in thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets:						
Cash and cash equivalents (note 6(1))	$ 5,408,133	24	4,643,375	22	3,850,326	18
Financial assets at fair value through profit or loss－current (note 6(2))	-	-	-	-	97	-
Available-for-sale financial assets－current (note 6(2))	2,460,802	11	1,386,090	7	1,570,394	7
Notes receivable (note 6(2))	124,297	1	205,827	1	51,350	-
Accounts receivable, net (note 6(2))	5,236,690	23	5,114,254	24	6,516,845	29
Accounts receivable due from related parties (note 7)	168,674	1	206,950	1	159,229	1
Inventories, net (note 6(3))	3,138,831	14	3,336,250	16	3,958,287	18
Other financial assets－current	40,275	-	173,745	1	25,733	-
Other current assets	219,736	1	185,091	1	337,425	2
Total current assets	16,797,438	75	15,251,582	73	16,469,686	75
Non-current assets:						
Financial assets carried at cost－non-current (note 6(2))	79,932	-	79,932	-	79,932	-
Investments accounted for using equity method (note 6(4))	129,626	1	112,923	1	108,916	1
Property, plant and equipment (notes 6(5) and 7)	4,669,660	21	4,762,197	23	4,867,117	22
Investment property, net (note 6(6))	274,478	1	282,178	1	290,941	1
Intangible assets (note 6(7))	56,858	-	54,114	-	44,638	-
Deferred tax assets (note 6(13))	135,803	1	133,805	1	159,482	1
Refundable deposits	11,078	-	8,924	-	7,975	-
Other non-current assets (note 6(2))	115,357	1	125,552	1	81,578	-
Total non-current assets	5,472,792	25	5,559,625	27	5,640,579	25
Total assets	$ 22,270,230	100	20,811,207	100	22,110,265	100

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
Current liabilities:						
Short-term borrowings (note 6(8))	$ 2,251,328	10	3,267,160	16	3,415,489	15
Financial liabilities at fair value through profit or loss －current (note 6(2))	474	-	657	-	-	-
Notes and accounts payable	5,055,984	23	4,210,500	20	5,128,189	23
Accounts payable to related parties (note 7)	105,496	-	77,569	-	79,638	-
Wages and salaries payable	1,026,728	5	796,956	4	1,030,104	5
Other accrued expenses	686,235	3	685,266	3	834,691	4
Provisions－current (note 6(9))	112,524	-	111,024	1	119,621	1
Long-term liabilities, current portion (note 6(10))	1,487,608	7	-	-	-	-
Other current liabilities, others	612,618	3	427,851	2	382,310	2
Total current liabilities	11,338,995	51	9,576,983	46	10,990,042	50
Non-current liabilities:						
Bonds payable (note 6(10))	-	-	1,460,882	7	1,434,637	6
Deferred tax liabilities (note 6(13))	387,345	2	305,942	1	332,096	2
Accrued pension liabilities (note 6(12))	21,285	-	18,924	-	33,014	-
Total non-current liabilities	408,630	2	1,785,748	8	1,799,747	8
Total liabilities	11,747,625	53	11,362,731	54	12,789,789	58
Equity (notes 6(14) and (15)):						
Ordinary share capital	3,212,730	14	3,038,496	15	2,862,886	13
Advance receipts for share capital	12,284	-	6,919	-	36,220	-
Capital surplus	2,212,882	10	2,051,579	10	1,954,973	9
Retained earnings	5,173,321	23	4,422,251	21	4,461,825	20
Other equity interest	(88,612)	-	(70,769)	-	4,572	-
Total equity	10,522,605	47	9,448,476	46	9,320,476	42
Total liabilities and equity	$ 22,270,230	100	20,811,207	100	22,110,265	100

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2013		2012	
	Amount	%	Amount	%
Net operating revenues (notes 6(17) and 7)	$ 36,653,661	100	34,434,519	100
Operating costs (notes 6(3) and (12) and 7)	31,462,617	86	29,779,275	86
Gross profit	5,191,044	14	4,655,244	14
Operating expenses (notes 6(11) and (12) and 7):				
Selling	1,273,558	3	1,222,639	4
General and administrative	584,802	2	555,035	2
Research and development	1,549,548	4	1,393,851	4
Total operating expenses	3,407,908	9	3,171,525	10
Net operating income	1,783,136	5	1,483,719	4
Non-operating income and expenses:				
Other income (notes 6(11) and (18))	124,709	-	87,761	-
Other gains and losses, net (note 6(18))	107,351	-	(45,170)	-
Finance costs (notes 6(10) and (18))	(65,304)	-	(100,712)	-
Share of profit of associates accounted for using equity method (note 6(4))	10,211	-	6,773	-
Total non-operating income and expenses	176,967	-	(51,348)	-
Profit before tax	1,960,103	5	1,432,371	4
Tax expense (note 6(13))	441,772	1	322,623	1
Profit	**1,518,331**	**4**	**1,109,748**	**3**
Other comprehensive income (loss):				
Exchange differences on translation of foreign financial statements	204,223	1	(95,281)	-
Unrealized gains on available-for-sale financial assets	4,446	-	3,742	-
Actuarial gains (losses) on defined benefit plans (note 6(12))	(8,108)	-	8,775	-
Less: income tax relating to components of other comprehensive income (note 6(13))	(33,339)	-	14,706	-
Other comprehensive income (loss), net of tax	167,222	1	(68,058)	-
Total comprehensive income (loss), net of tax	**$ 1,685,553**	**5**	**1,041,690**	**3**
Earnings per share (New Taiwan Dollars) (note 6(16))				
Basic earnings per share	**$**	**4.84**		**3.55**
Diluted earnings per share	**$**	**4.60**		**3.36**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan Dollars)

	Ordinary share capital	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Deferred compensation cost	Other equity interest: Total	Total equity
Balance as of January 1, 2012	$ 2,862,886	36,220	1,954,973	821,950	71,005	3,568,870	4,461,825	-	4,572	-	4,572	9,320,476
Profit for the year ended December 31, 2012	-	-	-	-	-	1,109,748	1,109,748	-	-	-	-	1,109,748
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	-	7,283	7,283	(79,083)	3,742	-	(75,341)	(68,058)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	1,117,031	1,117,031	(79,083)	3,742	-	(75,341)	1,041,690
Appropriation and distribution of retained earnings (note 1):												
Legal reserve appropriated	-	-	-	170,954	-	(170,954)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(71,005)	71,005	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(1,012,029)	(1,012,029)	-	-	-	-	(1,012,029)
Stock dividends on ordinary shares	144,576	-	-	-	-	(144,576)	(144,576)	-	-	-	-	-
Exercise of employee share options	31,034	(29,301)	96,606	-	-	-	-	-	-	-	-	98,339
Balance as of December 31, 2012	3,038,496	6,919	2,051,579	992,904	-	3,429,347	4,422,251	(79,083)	8,314	-	(70,769)	9,448,476
Profit for the year ended December 31, 2013	-	-	-	-	-	1,518,331	1,518,331	-	-	-	-	1,518,331
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	(6,729)	(6,729)	169,505	4,446	-	173,951	167,222
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	1,511,602	1,511,602	169,505	4,446	-	173,951	1,685,553
Appropriation and distribution of retained earnings (note 2):												
Legal reserve appropriated	-	-	-	112,826	-	(112,826)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	108,123	(108,123)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(669,268)	(669,268)	-	-	-	-	(669,268)
Stock dividends on ordinary shares	91,264	-	-	-	-	(91,264)	(91,264)	-	-	-	-	-
Exercise of employee share options	11,870	5,365	31,027	-	-	-	-	-	-	-	-	48,262
Issuance of restricted stock awards	71,100	-	130,276	-	-	-	-	-	-	(201,376)	(201,376)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	9,582	9,582	9,582
Balance as of December 31, 2013	$ 3,212,730	12,284	2,212,882	1,105,730	108,123	3,959,468	5,173,321	90,422	12,760	(191,794)	(88,612)	10,522,605

Note 1: Remuneration to directors and employees' bonuses in the amount of $15,386 and $307,717, respectively, had been charged against consolidated statement of comprehensive income.

Note 2: Remuneration to directors and employees' bonuses in the amount of $10,154 and $203,087, respectively, had been charged against consolidated statement of comprehensive income.

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2013	**2012**
Cash flows from operating activities:		
Profit before tax	$ 1,960,103	1,432,371
Adjustments:		
Adjustments to reconcile profit		
Depreciation (including depreciation of investment property)	908,192	908,475
Amortization	78,218	73,008
Provision (reversal of provision) for doubtful accounts	(48,139)	11,616
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(183)	754
Interest expense	65,304	100,712
Interest income	(34,232)	(37,024)
Compensation cost of share-based payment	9,582	-
Share of profit of associates accounted for using equity method	(10,211)	(6,773)
Gains on disposal of investment	(7,633)	(7,390)
Adjustment for other non-cash-related losses, net	51,738	35,847
Provision for inventory obsolescence and devaluation loss	35,685	67,621
Total adjustments to reconcile profit	1,048,321	1,146,846
Changes in operating assets and liabilities:		
Notes receivable	81,530	(154,477)
Accounts receivable	(74,297)	1,390,975
Accounts receivable from related parties	38,276	(47,721)
Inventories	161,734	554,416
Other operating assets	108,895	(38,703)
Notes and accounts payable	845,484	(917,689)
Accounts payable to related parties	27,927	(2,069)
Other operating liabilities	296,426	(417,850)
Total changes in operating assets and liabilities	1,485,975	366,882
Total adjustments	2,534,296	1,513,728
Cash inflow generated from operations	4,494,399	2,946,099
Interest received	33,355	36,687
Interest paid	(40,559)	(73,656)
Income tax paid	(334,095)	(241,071)
Net cash flows from operating activities	4,153,100	2,668,059
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(2,260,700)	(1,440,199)
Proceeds from disposal of available-for-sale financial assets	1,198,067	1,635,637
Acquisition of property, plant and equipment	(651,977)	(915,548)
Proceeds from disposal of property, plant and equipment	7,572	371
Acquisition of intangible assets	(80,873)	(81,981)
Increase in refundable deposits	(2,154)	(949)
Net cash flows used in investing activities	(1,790,065)	(802,669)
Cash used in financing activities:		
Decrease in short-term borrowings	(1,015,832)	(148,329)
Cash dividends paid	(669,268)	(1,012,029)
Exercise of employee share options	48,262	98,339
Net cash used in financing activities	(1,636,838)	(1,062,019)
Effect of exchange rate changes	38,561	(10,322)
Net increase in cash and cash equivalents	764,758	793,049
Cash and cash equivalents at beginning of period	4,643,375	3,850,326
Cash and cash equivalents at end of period	$ 5,408,133	4,643,375

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012
(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 address of the Company's registered office is 20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

The consolidated financial statements as of and for the year ended December 31, 2013, comprise the Company and its subsidiaries (together referred to as the "Group") and the Company's interest in associates. The Group is engaged mainly in the research, development, production, and sale of wired communication equipment, wireless communication networking equipment, electronic components, regulated telecommunication radio frequency equipment, satellite communication systems, and mobile and portable communication equipment.

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2014.

3. New Standards and Interpretations Not Yet Adopted

(1) New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), which was to be effective on January 1, 2013. (In December 2011, the IASB postponed the effective date until January 1, 2015, to have more time to transition to the new standards for financial statement preparation, then cancelled the effective date. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(Continued)

(2) New standards and interpretations not yet endorsed by the FSC

Summary of the new standards and amendments issued by the IASB not yet endorsed by the FSC that may have an impact on the consolidated financial statements:

Issue date	New standards or amendments	Description and influence	Effective date per IASB
May 12, 2011 June 28, 2012	IFRS 10 *Consolidated Financial Statements* IFRS 12 *Disclosure of Interests in Other Entities* Amended IAS 28 *Investments in Associates and Joint Ventures*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. • The new standards provide a single model for determining whether an entity has control over an investee (including special purpose entities). However, the original guidance and method apply to the consolidation process. • On June 28, 2012, amendments were issued clarifying the guidance over the transition period. At the adoption of these standards, some of the determinations of the investees could be changed, which would increase the disclosure of the equity of the subsidiaries and associates.	January 1, 2013
May 12, 2011	IFRS 13 *Fair value Measurement*	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance. Adoption of this standard would increase the disclosure of fair value.	January 1, 2013
June 16, 2011	Amended IAS 1 *Presentation of Financial Statements*	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. Adoption of this standard would change the disclosure of the other comprehensive income in the comprehensive income statement.	July 1, 2012
June 16, 2011	Amended IAS 19 *Employee Benefits*	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost. Adoption of this standard would change the measurement and presentation of the pension liability and actuarial gains or losses.	January 1, 2013
May 28, 2010	Amended IFRS 9 *Financial Instruments*	Amendments for classifying and measuring financial liabilities at fair value through profit or loss that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. Adoption of this standard would increase the disclosure of the financial instruments.	Not yet determined, earlier adoption is permitted.

(Continued)

Issue date	New standards or amendments	Description and influence	Effective date per IASB
December 16, 2011	Amended IAS 32 *Financial Instruments: Presentation* Amended IFRS 7 *Financial Instruments: Disclosures*	Amends rules for the offsetting of financial assets and financial liabilities for which disclosure about financial instruments should be provided. Adoption of these standards would increase the disclosure of the financial instruments.	January 1, 2014 January 1, 2013
December 16, 2011	Amended IFRS 7 *Financial Instruments: Disclosures* Amended IFRS 9 *Financial Instruments*	Deferral of mandatory effective date. The IASB extended the effective date to January 1, 2015, in December 2011, and then announced the repeal of the mandatory effective date to have more time to transition to the new standards for financial statement preparation. Adoption of these standards would increase the disclosure of the financial instruments.	Not yet determined, earlier adoption is permitted.
December 12, 2013	Amended IFRS 2 *Share-based Payment* Amended IFRS 8 *Operating Segments* IFRS 13 *Fair Value Measurement* Amended IAS 16 *Property, Plant and Equipment* Amended IAS 38 *Intangible Assets* Amended IAS 24 *Related-Party Disclosures* Amended IAS 40 *Investment Property*	• Amends the definition of vesting condition and adds definitions for performance condition and service condition. Adoption of these standards would increase the disclosure of share-based payment. • Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. Adoption of these standards would increase the disclosure of operating segments. • Clarifies contracts accounted for within the scope of financial instruments. Adoption of these standards would increase the disclosure of the financial instruments. • Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Adoption of these standards would increase the disclosure regarding related parties. • Amends rules for determining whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination. Adoption of these standards would increase the disclosure of investment property.	July 1, 2014; earlier adoption is permitted.

(Continued)

4. Summary of Significant Accounting Policies

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

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transition to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the IFRSs endorsed by the FSC.

These are the Group's first IFRS consolidated annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

(2) Basis of preparation

A. Basis of measurement

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

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

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

(c) The defined benefit liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(Continued)

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

B. List of subsidiaries in the consolidated financial statements

			Percentage of Ownership at		
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
the Company	ANC Holding Corp. (ANCH)	Sales of wireless communication products and electronic components	100%	100%	100%
the Company	NeWeb Holding Corp. (NEWH)	Holding company	100%	100%	100%
the Company	WNC Holding Corp. (WNCH)	Holding company	100%	100%	100%
the Company	W-NeWeb Corp. (NUSA)	Sales of satellite communication and portable communication products	100%	100%	100%
the Company	WNC GmbH (NDE)	Services of wireless communication products	100%	100%	Note
NEWH	WNC (Kunshan) Corp. (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%	100%
NEWH	Webcom Communication (Kunshan) Co., Ltd. (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corp. (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%	100%
NEWH	NeWeb Service (Kunshan) Corp. (NQC)	Services for satellite communication and portable communication products	100%	100%	100%

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

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

(Continued)

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

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

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

B. Foreign operations

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits with maturities of less than three months that are used for meeting short-term cash commitments instead of investment and that are subject to an insignificant risk of changes in their fair value are classified as cash and cash equivalents.

(7) Financial instruments

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

A. Financial assets

(a) Available-for-sale financial assets

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

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

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

(b) Receivables

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

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

(c) Impairment of financial assets

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

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

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

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

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

(Continued)

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

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

(d) Derecognition of financial assets

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

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

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

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

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

(Continued)

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

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

(b) Other financial liabilities

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

(c) Derecognition of financial liabilities

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

(d) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments

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

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. The difference between standard cost and actual cost is recognized as operating cost. 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.

(Continued)

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

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

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

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

(10) Investment property

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

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

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

(Continued)

(11) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

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

D. Depreciation

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

(Continued)

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

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

(a) Buildings and structures: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

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

(d) Other equipment: 3 to 5 years

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

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

(12) Leases

A. Lessor

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

B. Lessee

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

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

(Continued)

(13) Intangible assets

A. Research and development

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

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

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

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

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

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

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

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

B. Other intangible assets

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

C. Subsequent expenditure

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

D. Amortization

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

(Continued)

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

(14) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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

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

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

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

(15) Provisions

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

A. Warranties

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

(Continued)

B. Allowance and related provisions for sales returns

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

(16) Revenue recognition

A. Goods sold

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

B. Service

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

(17) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of government bonds) on bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

All actuarial gains and losses at January 1, 2012 (the date of transition to the IFRSs endorsed by the FSC) were recognized in retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

C. Short-term employee benefits

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

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

(18) Share-based payment

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

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

(Continued)

(19) Income tax

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

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

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

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

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

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

(a) levied by the same taxing authority; or

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

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

(Continued)

(20) Earnings per share

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

(21) Operating segment information

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

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

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

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash in bank	$ 1,431,390	1,837,375	1,784,266
Time deposits	3,976,743	2,806,000	2,066,060
	$ 5,408,133	**4,643,375**	**3,850,326**

Please refer to note 6(19) for the disclosure of currency risk of the financial assets and liabilities of the Group.

(Continued)

(2) Financial assets

A. Details are as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
(a) Available-for-sale financial assets－current:				
Beneficiary certificates－mutual funds	$	2,460,802	1,386,090	1,570,394
(b) Financial assets carried at cost－non-current:				
Domestic unlisted common stocks－				
First International Telecom, Inc.	$	-	-	-
Foreign unlisted common stocks－				
GreenWave Holdings Inc.		48,482	48,482	48,482
NeWave Sensor Solutions LLC		31,450	31,450	31,450
	$	79,932	79,932	79,932

The Group evaluated the investment value of First International Telecom, Inc., and recorded an impairment loss of $29,700 in the prior year.

(c) Notes receivable

		December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable from operating activities	$	124,297	205,827	51,350

(d) Accounts receivable and overdue receivable, net:

		December 31, 2013	December 31, 2012	January 1, 2012
Current:				
Accounts receivable	$	5,413,918	5,344,424	6,735,399
Less: allowance for doubtful accounts		(177,228)	(230,170)	(218,554)
	$	5,236,690	5,114,254	6,516,845
Non-current:				
Overdue receivable	$	39,976	39,976	39,976
Less: allowance for doubtful accounts		(39,976)	(39,976)	(39,976)
Overdue receivable, net (recorded in other non-current assets)	$	-	-	-

Please refer to note 6(19) for the movement in the allowance for doubtful accounts receivable.

(Continued)

B. Sensitivity analysis

If there had been an increase or decrease in the fair value of beneficiary certificates of 1% on the reporting date, after-tax, other comprehensive income would have increased (or decreased) by $24,608 and by $13,861 for the years ended December 31, 2013 and 2012, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

C. Derivative instruments not used for hedging

The Group uses derivative instruments to hedge certain currency risk the Group is exposed to arising from its operating, financing and investing activities. The Group held the following derivative instruments presented as held-for-trading financial assets as of December 31, 2013 and 2012, and January 1, 2012:

Unit: foreign currency thousand

	December 31, 2013			December 31, 2012			January 1, 2012		
	Contract Amount	**Currency**	**Maturity Date**	**Contract Amount**	**Currency**	**Maturity Date**	**Contract Amount**	**Currency**	**Maturity Date**
Sell－forward foreign currency exchange contracts	$ 6,000	Sell USD/ Buy NTD	December 19, 2013~January 27, 2014	1,000	Sell EUR/ Buy USD	December 4, 2012~January 14, 2013	5,000	Sell USD/ Buy NTD	December 9, 2011~January 19, 2012

As of December 31, 2013 and 2012, and January 1, 2012, the carrying amounts of related derivative financial assets (liabilities) were $(474), $(657) and $97, respectively.

(3) Inventories

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Raw materials	$ 1,240,711	1,425,485	1,350,001
Work in process and semi-finished products	280,403	242,960	243,692
Finished goods	1,617,717	1,667,805	2,364,594
	$ **3,138,831**	**3,336,250**	**3,958,287**

The details of operating costs were as follows:

	For the years ended December 31,	
	2013	**2012**
Cost of goods sold	$ 31,450,975	29,742,592
Inventory provision	35,685	67,621
Revenue from sale of scrap	(23,880)	(30,960)
Physical inventory loss (gain)	(163)	22
	$ 31,462,617	**29,779,275**

(Continued)

(4) Investment accounted for using equity method

	December 31, 2013	December 31, 2012	January 1, 2012
Associate	$ 129,626	112,923	108,916

An associate of the Group is not traded in the public market, and its fair value is impractical to assess.

The Group's share of the net income of an associate was as follows:

	For the years ended December 31,	
	2013	2012
	$ 10,211	6,773

Summary financial information for an investment in an associate (before being adjusted to the Group's proportionate share) was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 524,211	444,416	468,788
Total liabilities	$ 264,435	219,483	252,818

	For the years ended December 31,	
	2013	2012
Income	$ 550,382	568,312
Net income	$ 21,524	14,278

(5) Property, plant and equipment

	Building and structures	Machinery and equipment	Research and development equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost:						
Balance as of January 1, 2013	$ 3,379,661	3,893,836	553,892	557,049	61,688	8,446,126
Additions	33,402	215,028	43,790	67,638	348,326	708,184
Disposals	-	(151,176)	(3,995)	(18,160)	-	(173,331)
Reclassification	1,130	212,559	17,707	8,823	(291,657)	(51,438)
Effect of exchange rate changes	96,715	153,291	1,896	23,637	338	275,877
Balance as of December 31, 2013	$ 3,510,908	4,323,538	613,290	638,987	118,695	9,205,418

(Continued)

	Building and structures	Machinery and equipment	Research and development equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
Balance as of January 1, 2012	$ 3,299,274	3,344,957	499,165	495,130	266,948	7,905,474
Additions	55,744	364,173	23,363	64,938	393,090	901,308
Disposals	(4,005)	(175,579)	(3,007)	(35,636)	-	(218,227)
Reclassification	73,217	416,695	34,984	36,279	(595,631)	(34,456)
Effect of exchange rate changes	(44,569)	(56,410)	(613)	(3,662)	(2,719)	(107,973)
Balance as of December 31, 2012	$ 3,379,661	3,893,836	553,892	557,049	61,688	8,446,126
Accumulated depreciation:						
Balance as of January 1, 2013	$ 716,842	2,219,555	383,448	364,084	-	3,683,929
Depreciation for the period	201,906	572,770	53,164	72,652	-	900,492
Disposals	-	(146,337)	(1,215)	(17,906)	-	(165,458)
Effect of exchange rate changes	26,470	75,431	1,120	13,774	-	116,795
Balance as of December 31, 2013	$ 945,218	2,721,419	436,517	432,604	-	4,535,758
Balance as of January 1, 2012	$ 538,144	1,833,864	340,510	325,839	-	3,038,357
Depreciation for the period	255,965	525,539	46,347	71,861	-	899,712
Disposals	(4,005)	(175,403)	(3,007)	(35,258)	-	(217,673)
Reclassification	-	1,785	-	-	-	1,785
Effect of exchange rate changes	(73,262)	33,770	(402)	1,642	-	(38,252)
Balance as of December 31, 2012	$ 716,842	2,219,555	383,448	364,084	-	3,683,929
Book value:						
Balance as of December 31, 2013	$ 2,565,690	1,602,119	176,773	206,383	118,695	4,669,660
Balance as of December 31, 2012	$ 2,662,819	1,674,281	170,444	192,965	61,688	4,762,197
Balance as of January 1, 2012	$ 2,761,130	1,511,093	158,655	169,291	266,948	4,867,117

The Group entered into a construction contract amounting to $215,472 for a new building with Su Zhou Liang Sheng Mechanical & Electrical Engineering Co., Ltd. and Jiangsu Chengnan Construction Group Co., Ltd. As of December 31, 2013 and 2012, and January 1, 2012, the Group had paid $215,472, $215,472 and $178,977, respectively.

(6) Investment property

	Building and structures
Cost:	
Balance as of January 1, 2013 (same as balance as of December 31, 2013)	$ 359,583
Balance as of January 1, 2012 (same as balance as of December 31, 2012)	$ 359,583
Accumulated depreciation:	
Balance as of January 1, 2013	$ 77,405
Depreciation for the period	7,700
Balance as of December 31, 2013	$ 85,105
Balance as of January 1, 2012	$ 68,642
Depreciation for the period	8,763
Balance as of December 31, 2012	$ 77,405

(Continued)

		Building and structures
Book value:		
Balance as of December 31, 2013	$	274,478
Balance as of December 31, 2012	$	282,178
Balance as of January 1, 2012	$	290,941

The fair value of investment property of the Group has recently been valued based on the location and category of the investment property. Its current price amounted to approximately $413,000 on December 31, 2013.

The Group entered into agreements to lease buildings that qualify as finance leases. The term of the leases is until the first quarter of 2014. Subsequent renewals are negotiated with the lessee. Please see note 6(11) for further information.

(7) Intangible assets

		Software	Patent	Total
Cost:				
Balance as of January 1, 2013	$	122,371	55,767	178,138
Additions		44,310	36,563	80,873
Write-off		(35,071)	(28,462)	(63,533)
Effect of exchange rate changes		411	-	411
Balance as of December 31, 2013	$	132,021	63,868	195,889
Balance as of January 1, 2012	$	81,931	58,122	140,053
Additions		59,313	22,668	81,981
Reclassification		575	-	575
Write-off		(19,362)	(25,023)	(44,385)
Effect of exchange rate changes		(86)	-	(86)
Balance as of December 31, 2012	$	122,371	55,767	178,138
Amortization:				
Balance as of January 1, 2013	$	72,554	51,470	124,024
Amortization for the period		47,980	30,238	78,218
Write-off		(35,071)	(28,462)	(63,533)
Effect of exchange rate changes		322	-	322
Balance as of December 31, 2013	$	85,785	53,246	139,031
Balance as of January 1, 2012	$	51,065	44,350	95,415
Amortization for the period		40,865	32,143	73,008
Write-off		(19,362)	(25,023)	(44,385)
Effect of exchange rate changes		(14)	-	(14)
Balance as of December 31, 2012	$	72,554	51,470	124,024

(Continued)

	Software	Patent	Total
Book value:			
Balance as of December 31, 2013	$ 46,236	10,622	56,858
Balance as of December 31, 2012	$ 49,817	4,297	54,114
Balance as of January 1, 2012	$ 30,866	13,772	44,638

(8) Short-term borrowings

	December 31, 2013			
	Currency	Annual interest rate	Year of maturity	Amount
Unsecured bank loans	USD	0.75%~2.5%	2014	$ 2,251,328

	December 31, 2012			
	Currency	Annual interest rate	Year of maturity	Amount
Unsecured bank loans	USD	0.95%~6.60%	2013	$ 3,267,160

	January 1, 2012			
	Currency	Annual interest rate	Year of maturity	Amount
Unsecured bank loans	USD	0.7082%~6.059%	2012	$ 3,415,489

Please refer to note 6(19) for the disclosure of interest risk, currency risk, and liquidity risk.

(9) Provisions

	Warranties	Allowance for sales returns and discounts	Total
Balance as of January 1, 2013	$ 66,847	44,177	111,024
Provisions made (reversed) for the period	57,973	(10,332)	47,641
Provisions written off for the period	(46,141)	-	(46,141)
Balance as of December 31, 2013	$ 78,679	33,845	112,524
Balance as of January 1, 2012	$ 63,527	56,094	119,621
Provisions made (reversed) for the period	25,737	(11,917)	13,820
Provisions written off for the period	(22,417)	-	(22,417)
Balance as of December 31, 2012	$ 66,847	44,177	111,024

(Continued)

(10) Bonds payable

	December 31, 2013	December 31, 2012	January 1, 2012
Convertible bonds payable	$ 1,500,000	1,500,000	1,500,000
Less: unamortized discount	(12,392)	(39,118)	(65,363)
Subtotal	1,487,608	1,460,882	1,434,637
Less: current portion	(1,487,608)	-	-
Book value	**$ -**	**1,460,882**	**1,434,637**
Equity element – conversion options (recorded in capital surplus – share options)	**$ 74,160**	**74,160**	**74,160**

	For the years ended December 31,	
	2013	**2012**
Interest expense	**$ 26,726**	**26,245**

Please refer to note 6(19) for the disclosure of liquidity risk.

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 $96.3 per share since August 21, 2013.

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

(Continued)

(11) Operating lease

A. Lessee

For the years ended December 31, 2013 and 2012, $13,555 and $13,430, respectively, were recognized as expenses in profit or loss in respect of operating leases.

The Group entered into a land lease agreement with the Hsinchu Science Park Administration in November 2007. The period of the land lease agreement is twenty years. The monthly rent is $881. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

The Group leased out an investment property under an operating lease; please refer to note 6(6). The future minimum lease payments receivable under non-cancellable leases were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Less than one year	$ 4,534	34,032	34,032
Between one and five years	-	11,344	45,376
	$ 4,534	**45,376**	**79,408**

For the years ended December 31, 2013 and 2012, the Group recognized rental revenue on the investment property of $27,216 and $34,037, respectively; the depreciation of the investment property was $7,700 and $8,763, respectively, which were recognized as non-operating income and expenses.

(12) Employee benefit

A. Defined benefit plans

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Total present value of obligation	$ 157,548	148,863	154,392
Fair value of plan assets	(136,263)	(129,939)	(121,378)
Recognized liabilities for defined benefit obligation	**$ 21,285**	**18,924**	**33,014**

(Continued)

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

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $136,263 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(b) Movements in present value of defined benefit obligation

	For the years ended December 31,	
	2013	**2012**
Defined benefit obligation as of January 1	$ 148,863	154,392
Benefits paid by the plan	(2,636)	-
Current service costs and interest	3,878	4,538
Actuarial losses (gains)	7,443	(10,067)
Defined benefit obligation as of December 31	**$ 157,548**	**148,863**

(c) Movements of defined benefit plan assets

	For the years ended December 31,	
	2013	**2012**
Fair value of plan assets as of January 1	$ 129,939	121,378
Contributions made	7,288	7,352
Benefits paid by the plan	(2,636)	-
Expected return on plan assets	2,337	2,501
Actuarial gains (losses)	(665)	(1,292)
Fair value of plan assets as of December 31	**$ 136,263**	**129,939**

(Continued)

(d) Expenses recognized in profit or loss

	For the years ended December 31, 2013	2012
Current service costs	$ 1,273	1,450
Interest on obligation	2,605	3,088
Expected return on plan assets	(2,337)	(2,501)
	1,541	**2,037**
Actual return on plan assets	**$ 1,672**	**1,209**

(e) Actuarial gains and losses recognized in other comprehensive income

	For the years ended December 31, 2013	2012
Cumulative amount as of January 1	$ (54,692)	(63,467)
Recognized during the period	(8,108)	8,775
Cumulative amount as of December 31	**$ (62,800)**	**(54,692)**

(f) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

(i) Present value of defined benefit obligation:

	December 31, 2013	December 31, 2012
Discount rate	2.00%	1.75%
Future salary increases	3.00%	3.00%
Expected return on plan assets	2.00%	1.75%

(ii) Cost of defined benefit plan:

	For the years ended December 31, 2013	2012
Discount rate	1.75%	2.00%
Future salary increases	3.00%	4.00%
Expected return on plan assets	1.75%	2.00%

(Continued)

(g) Experience adjustments based on historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit plans	$ 157,548	148,863	154,392
Fair value of plan assets	(136,263)	(129,939)	(121,378)
Net liabilities (assets) of defined benefit obligation	**$ 21,285**	**18,924**	**33,014**
Experience adjustments arising on present value of defined benefit plans	**$ 13,623**	**2,967**	**-**
Experience adjustments arising on fair value of plan assets	**$ 665**	**1,292**	**-**

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $7,262.

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

As of December 31, 2013, the Group's accrued pension liabilities were $21,285. If the discount rate and salary increase rate had increased or decreased by 0.25%, the movement with respect to Group's accrued pension liabilities would be as follows:

	Accrued pension liabilities	
Actuarial assumptions	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	**$ (5,928)**	**6,180**
Salary increase rate	**$ 6,018**	**(6,129)**

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company should allocate 6% of its employees' monthly wages to their labor pension personal accounts. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations. The total pension costs of the Group's overseas subsidiaries under a defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution method were $106,997 and $98,722 for the years ended December 31, 2013 and 2012, respectively.

(Continued)

(13) Income tax

A. Tax expenses

The amount of income tax for the years ended December 31, 2013 and 2012, was as follows:

	For the years ended December 31,	
	2013	**2012**
Current tax expense		
Current period	$ 343,339	234,112
10% surtax on unappropriated retained earnings	25,490	45,298
Adjustment for prior years	26,877	28,984
	395,706	308,394
Deferred tax expense		
Origination and reversal of temporary differences	46,484	13,744
Change in unrecognized deductible temporary differences	(418)	485
	46,066	14,229
Tax expense	**$ 441,772**	**322,623**

The amount of tax (expense) income recognized in other comprehensive income for the years ended December 31, 2013 and 2012, was as follows:

	For the years ended December 31,	
	2013	**2012**
Exchange differences on translation of foreign financial statements	$ (34,718)	16,198
Defined benefit plan actuarial gains (losses)	1,379	(1,492)
	$ (33,339)	**14,706**

(Continued)

The reconciliation of income tax and profit before tax for the years ended December 31, 2013 and 2012, was as follows:

	For the years ended December 31, 2013	2012
Profit before tax	$ 1,960,103	1,432,371
Income tax using the Company's domestic tax rate	$ 333,217	243,503
Effect of tax rates in foreign jurisdictions	76,580	32,227
Non-deductible expenses	1,762	6,137
Tax-exempt income	(27,476)	(52,009)
10% surtax on unappropriated retained earnings	25,490	45,298
Under (over)-provision in prior periods and others	32,199	47,467
Total	$ 441,772	322,623

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

Deferred Tax Assets:

	Defined benefit plans	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Unrealized inter-company profits	Unrealized foreign exchange loss (gains)	Others	Total
Balance as of January 1, 2013	$ 9,297	34,979	18,742	37,260	10,204	23,323	133,805
Recognized in profit or loss	-	(8,345)	(3,654)	(4,692)	(10,204)	27,514	619
Recognized in other comprehensive income	1,379	-	-	-	-	-	1,379
Balance at December 31, 2013	$ 10,676	26,634	15,088	32,568	-	50,837	135,803
Balance as of January 1, 2012	$ 10,789	31,252	28,093	65,682	-	23,666	159,482
Recognized in profit or loss	-	3,727	(9,351)	(28,422)	10,204	(343)	(24,185)
Recognized in other comprehensive income	(1,492)	-	-	-	-	-	(1,492)
Balance as of December 31, 2012	$ 9,297	34,979	18,742	37,260	10,204	23,323	133,805

(Continued)

Deferred Tax Liabilities:

	Share of profit of subsidiaries and associates accounted for using equity method	Exchange differences on translation of foreign financial statements	Unrealized foreign exchange loss (gains)	Others	Total
Balance as of January 1, 2013	$ (292,440)	(13,502)	-	-	(305,942)
Recognized in profit or loss	(42,329)	-	(4,351)	(5)	(46,685)
Recognized in other comprehensive income	-	(34,718)	-	-	(34,718)
Balance as of December31, 2013	$ (334,769)	(48,220)	(4,351)	(5)	(387,345)
Balance as of January 1, 2012	$ (278,975)	(29,700)	(23,421)	-	(332,096)
Recognized in profit or loss	(13,465)	-	23,421	-	9,956
Recognized in other comprehensive income	-	16,198	-	-	16,198
Balance as of December31, 2012	$ (292,440)	(13,502)	-	-	(305,942)

C. The Company's tax returns have been examined by the tax authorities through 2010.

D. Information related to the unappropriated retained earnings and tax deduction ratio is summarized below:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings of 1998 and after	$ 3,959,468	3,429,347	3,568,870
Balance of deductible tax account	$ 546,977	423,079	420,819

	2013 (estimated)	2012 (actual)
Tax deduction ratio for earnings distribution to ROC residents	17.94%	16.90%

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

(Continued)

(14) Capital and other equity interest

A. Ordinary share capital

As of December 31, 2013 and 2012 and January 1, 2012, the authorized capital of the Company was $3,500,000, including $250,000 reserved for employee share options; the issued capital was $3,212,730, $3,038,496, and $2,862,886, respectively.

Pursuant to a shareholders' resolution on June 11, 2013, the Company increased its ordinary shares by 9,126 shares through the transfer of stock dividends of $91,264. The effective date of the capital increase was August 21, 2013, and it was recorded with the government authorities.

Pursuant to a shareholders' resolution on June 12, 2012, the Company increased its ordinary shares by 14,458 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.

B. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Capital surplus－premium	$ 1,871,339	1,840,312	1,743,706
Treasury stock sold to employees	100,454	100,454	100,454
Conversion options of bonds	74,160	74,160	74,160
Restricted stock awards	130,276	-	-
Capital surplus from merger	36,653	36,653	36,653
	$ 2,212,882	2,051,579	1,954,973

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

C. Retained earnings

(a) Legal reserve

Pursuant to the ROC Company Act, 10% of the Company's annual profit is to be set aside as legal reserve until such retention equals the amount of issued ordinary share capital. Where a company incurs no loss, it may distribute the amount of the legal reserve that exceeds 25% of issued ordinary share capital 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.

(Continued)

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to $136,043. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to $108,123 on December 31, 2013.

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

(c) Earnings distribution

According to the Company's articles of incorporation, after-tax earnings, if any, should first offset the cumulative 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 retained earnings should be distributed as follows:

(i) 5% or more of the current-year earnings as bonuses to employees. If the bonus is provided as ordinary shares, 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 shareholders.

(Continued)

For the years ended December 31, 2013 and 2012, the amounts of the employees' bonuses were estimated at $204,975 and $203,087, respectively, and the amounts of remuneration to directors were estimated at $13,665 and $10,154, respectively. The Board of Directors estimated the amounts by taking into consideration the historical appropriation, and the amounts were decided to be 90% of the balance of profit for the years ended December 31, 2013 and 2012, multiplied by 15% and 20%, respectively, as bonuses to employees and multiplied by 1% as remuneration to directors. Shares distributed to employees as employees' bonuses are calculated based on the closing price of the Company's shares on the day before the shareholders' meeting, and the ex-rights and ex-dividend effects should be taken into consideration. Moreover, if the amounts are modified by the shareholders, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of profit (loss) in the following year.

Earnings distributions for 2012 and 2011 were approved through the shareholders' meetings held on June 11, 2013, and June 12, 2012, respectively. The relevant dividend distributions to shareholder were as follows:

	2012		2011	
	Amount per share (New Taiwan Dollars)	**Total amount**	**Amount per share (New Taiwan Dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$2.1967	669,268	3.499	1,012,029
Shares	0.2995	91,264	0.500	144,576
		$ 760,532		1,156,605
Employees' bonuses－cash		$ 203,087		307,717
Directors' remuneration		10,154		15,386
		$ 213,241		323,103

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

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

For the year ended December 31, 2013, the total amounts of the employees' bonuses and remuneration to directors will be presented for approval in the resolution of the annual Board of Directors' meeting and annual shareholders' meeting. The information will be available on the Market Observation Post System website after those meetings.

(Continued)

(15) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions as of December 31, 2013, is as follows:

	Restricted stock awards	**Employee share options**
	Issued in 2013	**Issued in 2007**
Grant date	November 12, 2013	November 16, 2007
Granted units (thousands)	7,110	20,000
Contractual life	1~3 years	5 years
Vesting condition	Note	2~4 years
Price per share (New Taiwan Dollars)	0	65.8
Adjusted exercise price (New Taiwan Dollars)	0	33.4

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

For the years ended December 31, 2013 and 2012, the above employee share options had been exercised for 1,362 shares and 2,414 shares, respectively.

As of December 31, 2013 and 2012, and January 1, 2012, the Company had received $12,284, $6,919 and $36,220, respectively, in advance for employee share options for the purchase of 362 thousand shares, 187 thousand shares and 877 thousand shares, respectively. The registration had not yet been completed and was recorded in advance receipts for share capital.

According to the employee share options granted on November 16, 2007, the options are exercisable from the second anniversary of the grant date. The Company adopted the intrinsic value method to recognize the compensation cost for the first employee share options in 2007. However, as the option exercise price was equal to the market value on the measurement date, there was no compensation cost recognized for the year ended December 31, 2012.

On June 11, 2013, pursuant to the resolutions of its shareholders' meeting, the Company issued 7,110 thousand shares of restricted stock awards to those full-time employees who conformed to the Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the ROC Financial Supervisory Commission. On August 7, 2013, the Board of Directors approved a resolution to issue 7,110 thousand shares of restricted stock awards to employees. The effective date of this capital increase was November 12, 2013, and it was recorded with the government authorities.

(Continued)

Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting conditions.

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

	Restricted stock awards	**Employee share options**
	Issued in 2013	**Issued in 2007**
Exercise price	0	10.6
Current market price	69.6	65.8
Expected cash dividend yield	0%	22%
Expected volatility	30.85%	87.37%
Risk-free interest rate	Note	2.29%
Expected life of the option	1~3 years	5 years

Note: The risk-free interest rate is 0.6042% for the first year, 0.6905% for the second year, and 0.8455% for the third year.

The fair values of restricted stock awards with a vesting period for the first, second and third year were $61.30, $58.13 and $55.97, respectively.

C. The details of the share options of the Group are as follows (in thousands):

	For the years ended December 31,			
	2013		**2012**	
	Weighted-average exercise price (New Taiwan Dollars)	**Number of options**	**Weighted-average exercise price (New Taiwan Dollars)**	**Number of options**
Outstanding as of January 1	$37.00	1,986	41.30	10,608
Options exercised	35.43	(1,362)	40.75	(2,414)
Options forfeited (expired)	34.20	(39)	41.30	(6,208)
Outstanding as of December 31	**33.40**	**585**	**37.00**	**1,986**
Exercisable as of December 31	**33.40**	**585**	**37.00**	**1,986**

(Continued)

The weighted-average remaining contractual periods of the employee share options were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Weighted-average remaining contractual period (years)	0.88	1.88	2.88

As of December 31, 2011, the above-mentioned employee share options were fully vested. In accordance with IFRS 1 (endorsed by the FSC), no compensation cost was recalculated retroactively.

D. For the year ended December 31, 2013, the Company issued restricted stock awards of 7,110 thousand shares, which resulted in an increase of capital surplus－restricted stock awards of $130,276 and compensation cost of $9,582. As of December 31, 2013, the Company had deferred compensation cost arising from issuance of restricted stock of $191,794, which was deducted from other equity.

(16) Earnings per share

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

	For the years ended December 31, 2013	2012
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 1,518,331	1,109,748
Weighted-average number of ordinary shares (in thousands)	313,753	303,487
Basic earnings per share (New Taiwan Dollars)	$ 4.84	3.66
Basic earnings per share－retroactively adjusted (New Taiwan Dollars)		$ 3.55
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 1,518,331	1,109,748
Interest expense on convertible bonds, net of tax	22,183	21,783
Profit attributable to ordinary shareholders of the Company (diluted)	$ 1,540,514	1,131,531

(Continued)

	For the years ended December 31, 2013	2012
Weighted-average number of ordinary shares (in thousands) (basic)	313,753	303,487
Effect of employee bonus	4,820	7,629
Effect of share options on issue	495	1,500
Effect of unvested restricted stock awards	259	-
Effect of conversion of convertible bonds	15,576	14,409
Weighted-average number of ordinary shares (diluted)	**334,903**	**327,025**
Diluted earnings per share (New Taiwan Dollars)	**$ 4.60**	**3.46**
Diluted earnings per share－retroactively adjusted (New Taiwan Dollars)		**$ 3.36**

(17) Operating revenues

	For the years ended December 31, 2013	2012
Sale of goods	$ 36,206,446	33,942,137
Rendering of services	447,215	492,382
	$ 36,653,661	**34,434,519**

(18) Non-operating income and expenses

A. Other income

The Group’s other income was as follows:

	For the years ended December 31, 2013	2012
Reversal of provision for doubtful accounts	$ 48,139	-
Interest income	34,232	37,024
Rent income	19,568	25,377
Others	22,770	25,360
	$ 124,709	**87,761**

(Continued)

B. Other gains or losses

The Group's other gains and losses were as follows:

	For the years ended December 31,	
	2013	**2012**
Foreign exchange gains (losses)	$ 99,836	(51,623)
Gain on disposal of investment	7,633	7,390
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	183	(754)
Loss on disposal of property, plant and equipment	(301)	(183)
	$ 107,351	**(45,170)**

C. Finance costs

	For the years ended December 31,	
	2013	**2012**
Interest expenses		
Bonds payable	$ 26,726	26,245
Short-term borrowings	38,578	74,467
	$ 65,304	**100,712**

(19) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Cash and cash equivalents	$ 5,408,133	4,643,375	3,850,326
Financial assets at fair value through profit or loss －current	-	-	97
Available-for-sale financial assets－current	2,460,802	1,386,090	1,570,394
Receivables	5,529,661	5,527,031	6,727,424
Other financial assets－current	40,275	173,745	25,733
Refundable deposits	11,078	8,924	7,975
	$13,449,949	**11,739,165**	**12,181,949**

Financial liabilities

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term borrowings	$ 2,251,328	3,267,160	3,415,489
Financial liabilities at fair value through profit or loss－current	474	657	-
Notes and accounts payable (including related parties)	5,161,480	4,288,069	5,207,827
Bonds payable	1,487,608	1,460,882	1,434,637
	$ 8,900,890	9,016,768	10,057,953

B. Credit risk

(a) Credit risk exposure

The maximum exposure to credit risk, which was mainly from the carrying amount of financial assets that were recognized at the reporting date, was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	$ 5,408,133	4,643,375	3,850,326
Available-for-sale financial assets－current	2,460,802	1,386,090	1,570,394
Receivables	5,529,661	5,527,031	6,727,424
	$ 13,398,596	11,556,496	12,148,144

The Group's most significant customer, "D", accounted for $311,466, $273,193 and $913,216 of the carrying amount of accounts receivable as of December 31, 2013 and 2012, and January 1, 2012, respectively.

(b) Impairment loss

The aging analysis of receivables (including overdue receivables) as of the reporting date was as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	$ 4,834,625	-	4,795,306	102	5,859,872	-
Past due 0~60 days	675,402	-	685,652	276	892,270	57,977
Past due 61~90 days	6,507	-	1,368	1	31,650	19,862
Past due 91~180 days	725	450	2,750	4	66,963	55,092
Past due more than 181 days	229,606	216,754	312,101	269,763	135,199	125,599
	$ 5,746,865	217,204	5,797,177	270,146	6,985,954	258,530

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

(Continued)

	For the years ended December 31, 2013	2012
Balance as of January 1	$ 270,146	258,530
Impairment loss recognized (reversed)	(48,139)	11,616
Write-off for the period	(4,803)	-
Balance as of December 31	$ 217,204	270,146

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

C. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2013					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 1,173,128	1,174,478	1,174,478	-	-
Unsecured variable-rate bank loans	1,078,200	1,079,818	1,079,818	-	-
Bonds payable (recorded in long-term liabilities, current portion)	1,487,608	1,500,000	1,500,000	-	-
Derivative financial liabilities					
Financial liabilities at fair value through profit or loss－current	474	474	474	-	-
	$ 3,739,410	3,754,770	3,754,770	-	-
December 31, 2012					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 2,334,808	2,337,755	2,337,755	-	-
Unsecured variable-rate bank loans	932,352	934,354	934,354	-	-
Bonds payable	1,460,882	1,500,000	-	1,500,000	-
Derivative financial liabilities					
Financial liabilities at fair value through profit or loss－current	657	657	657	-	-
	$ 4,728,699	4,772,766	3,272,766	1,500,000	-
January 1, 2012					
Non-derivative financial liabilities					
Unsecured fixed-rate bank loans	$ 2,458,329	2,462,314	2,462,314	-	-
Unsecured variable-rate bank	957,160	958,523	958,523	-	-

(Continued)

		Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
loans						
Bonds payable		1,434,637	1,500,000	-	-	1,500,000
	$	4,850,126	4,920,837	3,420,837	-	1,500,000

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

D. Currency risk

(a) Exposure to currency risk

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

	December 31, 2013			
		Foreign currency	Exchange rate	TWD
Financial assets				
Monetary items				
USD	$	189,498	29.95	5,675,460
Investments accounted for using equity method				
USD		4,328	29.95	129,626
Financial liabilities				
Monetary items				
USD		241,142	29.95	7,222,214
Non-monetary items				
USD		6,000	29.63~29.98	Note

	December 31, 2012			
		Foreign currency	Exchange rate	TWD
Financial assets				
Monetary items				
USD	$	162,724	29.136	4,741,118
Investments accounted for using equity method				
USD		3,876	29.136	112,923

(Continued)

		December 31, 2012		
		Foreign currency	Exchange rate	TWD
Financial liabilities				
Monetary items				
USD	$	248,910	29.136	7,252,239
Non-monetary items				
EUR		1,000	38.62	Note

		January 1, 2012		
		Foreign currency	Exchange rate	TWD
Financial assets				
Monetary items				
USD	$	196,598	30.29	5,954,968
Investments accounted for using equity method				
USD		3,596	30.29	108,916
Financial liabilities				
Monetary items				
USD		251,027	30.29	7,603,622
Non-monetary items				
USD		5,000	30.23~30.35	Note

Note: Forward exchange contracts were measured based on fair value at the balance sheet date. Please refer to note 6(2) for further information.

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables, available-for-sale financial assets－current, short-term borrowings, notes and accounts payable (including related parties), and other accrued expenses that are denominated in foreign currency. A fluctuation in the TWD/USD exchange rate on the reporting date, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2013 and 2012, as illustrated below:

	Range of fluctuations	For the years ended December 31, 2013	2012
TWD exchange rate	Depreciation of 1 USD	$ (42,865)	(71,534)
	Appreciation of 1 USD	$ 42,865	71,534

(Continued)

D. Interest rate analysis

Please refer to the note on liquidity risk management and the Group's interest rate exposure regarding its financial assets and liabilities.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2013 and 2012, as illustrated below:

	Range of fluctuations	**For the years ended December 31, 2013**	**For the years ended December 31, 2012**
Annual interest rate	Increase of 1%	$ (8,949)	(7,739)
	Decrease of 1%	$ 8,949	7,739

E. Fair value

(a) Fair value and carrying amount

Other than those listed below, the Group considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost to be a reasonable approximation of fair value:

	December 31, 2013		**December 31, 2012**		**January 1, 2012**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:						
Financial assets at fair value through profit or loss－current	$ -	-	-	-	97	97
Available-for-sale financial assets －current	2,460,802	2,460,802	1,386,090	1,386,090	1,570,394	1,570,394
Financial liabilities:						
Financial liabilities at fair value through profit or loss－current	474	474	657	657	-	-
Bonds payable	1,487,608	1,508,250	1,460,882	1,459,500	1,434,637	1,432,500

(Continued)

(b) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

(i) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative instruments is determined using a discounted cash flow analysis based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.

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

(iii) The fair value of bonds payable is based on the quoted market price in active markets.

(c) Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

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

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets－current	$ 2,460,802	-	-	2,460,802
Bonds payable (recorded in long-term liabilities, current portion)	1,508,250	-	-	1,508,250
Financial liabilities at fair value through profit or loss－current	-	474	-	474

(Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2012				
Available-for-sale financial assets－current	$ 1,386,090	-	-	1,386,090
Bonds payable	1,459,500	-	-	1,459,500
Financial liabilities at fair value through profit or loss－current	-	657	-	657
January 1, 2012				
Financial assets at fair value through profit or loss－current	-	97	-	97
Available-for-sale financial assets－current	1,570,394	-	-	1,570,394
Bonds payable	1,432,500	-	-	1,432,500

There were no transfers between the levels for the years ended December 31, 2013 and 2012.

(20) Financial risk management

A. Overview

The Group is exposed to the following risks due to usage of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

B. Objectives and policies for managing risk

The main financial instruments of the Group include cash and cash equivalents other than derivative financial instruments that are used to maintain a balance between continuity of funding and flexibility. The other financial assets and liabilities held by the Group, such as accounts receivable and payable, are generated from operating activities.

(Continued)

The Company is exposed to currency risk on foreign currency from operating and financing activities, and the Company uses derivative financial instruments, primarily forward contracts, to hedge its currency risk.

A review of the amount of risk exposure in accordance with the Group's policy revealed no transactions in derivative financial instruments for the purpose of speculation.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables, beneficiary certificates－mutual funds, and investment.

The Group maintains 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 Group believes that there is no concentration of credit risk in cash and cash equivalents and beneficiary certificates.

The Group continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Group has to monitor and review the uncollected accounts receivable regularly. It also has to check the process of credit confirmation before delivery. For the years ended December 31, 2013 and 2012, the Group had no concentration of credit risk arising from transactions. As of January 1, 2012, 61% of the total accounts receivable consisted of eleven customers. However, the Group evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

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

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

D. Liquidity risk

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

E. Market risk

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

(Continued)

(a) Interest rate risk

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

(b) Currency risk

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

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

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

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

(c) Other market price risks

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

(21) Capital management

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

The Group is in a technology- and capital-intensive industry, and to fit in with its long-term scheme for stable and long-term growth, it is critical for the Group to undertake a conservative dividend policy. According to the Company's articles of incorporation at June 11, 2013, cash dividends are not less than 10% of the sum of cash dividends and stock dividends.

(Continued)

There were no changes in the Group's approach to capital management during the year ended December 31, 2013.

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

	December 31, 2013	December 31, 2012	January 1. 2012
Total liabilities	$ 11,747,625	11,362,731	12,789,789
Less: cash and cash equivalents	(5,408,133)	(4,643,375)	(3,850,326)
Net debt	**$ 6,339,492**	**6,719,356**	**8,939,463**
Total equity	**$ 10,522,605**	**9,448,476**	**9,320,476**
Debt-to-adjusted-capital ratio	**60.25%**	**71.12%**	**95.91%**

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Significant related-party transactions

A. Operating revenue

	For the years ended December 31,	
	2013	2012
Entities with significant influence over the Group	**$ 672,852**	**464,861**

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

B. Purchases

	For the years ended December 31,	
	2013	2012
Associate	**$ 495,215**	**461,920**

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

(Continued)

C. Accounts receivable from related parties

Related Party Category	December 31, 2013	December 31, 2012	January 1, 2012
Entities with significant influence over the Group	$ 168,674	206,950	159,229

D. Accounts payable to related parties

Related Party Category	December 31, 2013	December 31, 2012	January 1, 2012
Associate	$ 100,983	74,964	78,694

E. Transactions of property, plant and equipment

(a) Acquisition of property, plant and equipment

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

Related Party Category	For the years ended December 31, 2013	For the years ended December 31, 2012
Associate	$ 5,446	-
Entities with significant influence over the Group	3,543	-
	$ 8,989	-

Related Party Category	December 31, 2013	December 31, 2012	January 1, 2012
Entities with significant influence over the Group	$ 3,543	-	-
Associate	485	-	-
	$ 4,028	-	-

(b) Disposal of property, plant and equipment

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

Related Party Categorr	For the years ended December 31, 2013	For the years ended December 31, 2012
Associate	$ 211	-

(Continued)

As of December 31, 2013 and 2012, receivables resulting from the above transactions had been settled.

F. Other transactions

The Group paid related parties for administrative expenditures and test expenses, and related unpaid balances were as follows:

Related Party Category	For the years ended December 31, 2013	2012
Entities with significant influence over the Group	$ 21,114	29,171
Associate	415	-
	$ 21,529	29,171

Related Party Category	December 31, 2013	December 31, 2012	January 1, 2012
Entities with significant influence over the Group	$ 314	2,605	944
Associate	171	-	-
	$ 485	2,605	944

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2013	2012
Short-term employee benefits	$ 67,133	70,105
Post-employment benefits	691	768
	$ 67,824	70,873

8. Pledged Assets: None.

9. Significant Commitments and Contingencies: None.

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

(Continued)

12. Other

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

By function / By item	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Classified as Operating Costs	**Classified as Operating Expenses**	**Total**	**Classified as Operating Costs**	**Classified as Operating Expenses**	**Total**
Employee benefits						
Salary	1,958,403	1,760,822	3,719,225	1,686,825	1,481,532	3,168,357
Labor and health insurance	58,488	102,539	161,027	56,729	87,340	144,069
Pension	48,364	60,174	108,538	44,132	56,627	100,759
Others	96,438	72,427	168,865	160,253	81,658	241,911
Depreciation (Note)	679,161	221,331	900,492	647,831	251,881	899,712
Amortization	5,942	72,276	78,218	9,365	63,643	73,008

Note: Depreciation of the investment property for the years ended December 31, 2013 and 2012, amounted to $7,700 and $8,763, respectively, which were deducted from other income.

13. Segment Information

(1) General information

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

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

(2) Products and services information

Revenues of the Group from external customers:

	For the years ended December 31, 2013	2012
Wireless communication products	$ 35,501,296	33,240,392
Others	1,152,365	1,194,127
	$ 36,653,661	**34,434,519**

(Continued)

(3) Geographic information

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

A breakdown is as follows:

		For the years ended December 31,	
		2013	**2012**
Revenues from external customers:			
Americas	$	17,882,221	17,798,737
Asia		13,284,958	14,052,773
Europe		5,231,806	2,466,500
Others		254,676	116,509
	$	**36,653,661**	**34,434,519**
		December 31, 2013	**December 31, 2012**
Non-current assets			
Americas	$	834	683
Asia		5,115,519	5,223,358
	$	**5,116,353**	**5,224,041**

(4) Major customer information

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

		For the years ended December 31,			
		2013		**2012**	
		Amount	**% of net sales**	**Amount**	**% of net sales**
Customer D	$	**7,480,616**	**20**	**9,859,801**	**29**

14. Convenience Translation into United States Dollars

The consolidated financial statements are stated in thousands of New Taiwan Dollars. The amounts have been translated into thousands of United States Dollars solely for the convenience of the readers, using the rate of NT$29.95 to US$1. The convenience translations should not be construed as representations that the New Taiwan Dollar amounts have been, could have been, or could in the future be, converted into United States Dollars at this rate or any other rate of exchange.

(Continued)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of United States Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets:						
Cash and cash equivalents	$ 180,572	24	155,038	22	128,558	18
Financial assets at fair value through profit or loss－current	-	-	-	-	3	-
Available-for-sale financial assets－current	82,163	11	46,280	7	52,434	7
Notes receivable	4,150	1	6,872	1	1,715	-
Accounts receivable, net	174,848	23	170,760	24	217,591	29
Accounts receivable from related parties	5,632	1	6,910	1	5,317	1
Inventories, net	104,802	14	111,394	16	132,163	18
Other financial assets－current	1,345	-	5,801	1	859	-
Other current assets	7,337	1	6,180	1	11,266	2
Total current assets	560,849	75	509,235	73	549,906	75
Non-current assets:						
Financial assets carried at cost－non-current	2,669	-	2,669	-	2,669	-
Investments accounted for using equity method	4,328	1	3,770	1	3,637	1
Property, plant and equipment	155,915	21	159,005	23	162,508	22
Investment property, net	9,165	1	9,422	1	9,714	1
Intangible assets	1,898	-	1,807	-	1,490	-
Deferred tax assets	4,534	1	4,467	1	5,325	1
Refundable deposits	370	-	298	-	266	-
Other non-current assets	3,852	1	4,192	1	2,724	-
Total non-current assets	182,731	25	185,630	27	188,333	25
Total assets	**$ 743,580**	**100**	**694,865**	**100**	**738,239**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets (Continued)
December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of United States Dollars)

		December 31, 2013		December 31, 2012		January 1, 2012	
Liabilities and Equity		**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current liabilities:							
Short-term borrowings	$	75,169	10	109,087	16	114,040	15
Financial liabilities at fair value through profit or loss －current		16	-	22	-	-	-
Notes and accounts payable		168,814	23	140,584	20	171,225	23
Accounts payable to related parties		3,522	-	2,590	-	2,659	-
Wages and salaries payable		34,281	5	26,610	4	34,394	5
Other accrued expenses		22,913	3	22,880	3	27,869	4
Provisions－current		3,757	-	3,707	1	3,994	1
Long-term liabilities, current portion		49,670	7	-	-	-	-
Other current liabilities, others		20,455	3	14,286	2	12,765	2
Total current liabilities		378,597	51	319,766	46	366,946	50
Non-current liabilities:							
Bonds payable		-	-	48,777	7	47,901	6
Deferred tax liabilities		12,933	2	10,215	1	11,089	2
Accrued pension liabilities		710	-	632	-	1,102	-
Total non-current liabilities		13,643	2	59,624	8	60,092	8
Total liabilities		392,240	53	379,390	54	427,038	58
Equity:							
Ordinary share capital		107,270	14	101,452	15	95,589	13
Advance receipts for share capital		410	-	231	-	1,209	-
Capital surplus		73,886	10	68,500	10	65,274	9
Retained earnings		172,732	23	147,654	21	148,976	20
Other equity interest		(2,958)	-	(2,362)	-	153	-
Total equity		351,340	47	315,475	46	311,201	42
Total liabilities and equity	$	**743,580**	**100**	**694,865**	**100**	**738,239**	**100**

(Continued)

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(expressed in thousands of United States Dollars)

	For the years ended December 31,			
	2013		2012	
	Amount	%	Amount	%
Net operating revenues	$ 1,223,828	100	1,149,734	100
Operating costs	1,050,504	86	994,300	86
Gross profit	173,324	14	155,434	14
Operating expenses:				
Selling	42,523	3	40,823	4
General and administrative	19,526	2	18,532	2
Research and development	51,738	4	46,539	4
Total operating expenses	113,787	9	105,894	10
Net operating income	59,537	5	49,540	4
Non-operating income and expenses:				
Other income	4,164	-	2,930	-
Other gains and losses, net	3,584	-	(1,508)	-
Finance costs	(2,180)	-	(3,363)	-
Share of profit of associates accounted for using equity method	341	-	226	-
Total non-operating income and expenses	5,909	-	(1,715)	-
Profit before tax	65,446	5	47,825	4
Tax expense	14,750	1	10,772	1
Profit	**50,696**	**4**	**37,053**	**3**
Other comprehensive income (loss):				
Exchange differences on translation of foreign financial statements	6,819	1	(3,181)	-
Unrealized gain on available-for-sale financial assets	148	-	125	-
Actuarial gains (losses) on defined benefit plans	(271)	-	293	-
Less: Income tax relating to components of other comprehensive income	(1,113)	-	491	-
Other comprehensive income (loss), net of tax	5,583	1	(2,272)	-
Total comprehensive income (loss), net of tax	**$ 56,279**	**5**	**34,781**	**3**
Earnings per share (United States Dollars)				
Basic earnings per share	**$ 0.16**		**0.12**	
Diluted earnings per share	**$ 0.15**		**0.11**	

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(expressed in thousands of United States Dollars)

	Ordinary share capital	Advance receipts for share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Deferred compensation cost	Other equity interest: Total	Total equity
Balance as of January 1, 2012	$ 95,589	1,209	65,274	27,444	2,371	119,161	148,976	-	153	-	153	311,201
Profit for the year ended December 31, 2012	-	-	-	-	-	37,053	37,053	-	-	-	-	37,053
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	-	243	243	(2,640)	125	-	(2,515)	(2,272)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	37,296	37,296	(2,640)	125	-	(2,515)	34,781
Appropriation and distribution of retained earnings (note 1):												
Legal reserve appropriated	-	-	-	5,708	-	(5,708)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(2,371)	2,371	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(33,791)	(33,791)	-	-	-	-	(33,791)
Stock dividends on ordinary shares	4,827	-	-	-	-	(4,827)	(4,827)	-	-	-	-	-
Exercise of employee share options	1,036	(978)	3,226	-	-	-	-	-	-	-	-	3,284
Balance as of December 31, 2012	101,452	231	68,500	33,152	-	114,502	147,654	(2,640)	278	-	(2,362)	315,475
Profit for the year ended December 31, 2013	-	-	-	-	-	50,696	50,696	-	-	-	-	50,696
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	(225)	(225)	5,660	148	-	5,808	5,583
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	50,471	50,471	5,660	148	-	5,808	56,279
Appropriation and distribution of retained earnings (note 2):												
Legal reserve appropriated	-	-	-	3,767	-	(3,767)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	3,610	(3,610)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	(22,346)	(22,346)	-	-	-	-	(22,346)
Stock dividends on ordinary shares	3,047	-	-	-	-	(3,047)	(3,047)	-	-	-	-	-
Exercise of employee share options	397	179	1,036	-	-	-	-	-	-	-	-	1,612
Issuance of restricted stock awards	2,374	-	4,350	-	-	-	-	-	-	(6,724)	(6,724)	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	320	320	320
Balance as of December 31, 2013	**$ 107,270**	**410**	**73,886**	**36,919**	**3,610**	**132,203**	**172,732**	**3,020**	**426**	**(6,404)**	**(2,958)**	**351,340**

Note 1: Remuneration to directors and employees' bonuses in the amount of $514 and $10,274, respectively, had been charged against consolidated statement of comprehensive income.
Note 2: Remuneration to directors and employees' bonuses in the amount of $339 and $6,781, respectively, had been charged against consolidated statement of comprehensive income.

(Continued)

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(expressed in thousands of United States Dollars)

	For the years ended December 31,	
	2013	**2012**
Cash flows from operating activities:		
Profit before tax	$ 65,446	47,825
Adjustments:		
Adjustments to reconcile profit		
Depreciation (including depreciation of investment property)	30,324	30,333
Amortization	2,612	2,437
Provision (reversal of provision) for doubtful accounts	(1,607)	388
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(6)	25
Interest expense	2,180	3,363
Interest income	(1,143)	(1,236)
Compensation cost of share-based payment	320	-
Share of profit of associates accounted for using equity method	(341)	(226)
Gains on disposal of investment	(255)	(247)
Adjustment for other non-cash-related losses, net	1,727	1,197
Provision for inventory obsolescence and devaluation loss	1,191	2,258
Total adjustments to reconcile profit	35,002	38,292
Changes in operating assets and liabilities:		
Notes receivable	2,722	(5,158)
Accounts receivable	(2,481)	46,443
Accounts receivable due from related parties	1,278	(1,593)
Inventories	5,400	18,511
Other operating assets	3,636	(1,292)
Notes and accounts payable	28,230	(30,641)
Accounts payable to related parties	932	(69)
Other operating liabilities	9,898	(13,951)
Total changes in operating assets and liabilities	49,615	12,250
Total adjustments	84,167	50,542
Cash inflow generated from operations	150,063	98,367
Interest received	1,114	1,225
Interest paid	(1,354)	(2,459)
Income tax paid	(11,155)	(8,049)
Net cash flows from operating activities	138,668	89,084
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	(75,483)	(48,087)
Proceeds from disposal of available-for-sale financial assets	40,002	54,612
Acquisition of property, plant and equipment	(21,769)	(30,569)
Proceeds from disposal of property, plant and equipment	253	13
Acquisition of intangible assets	(2,700)	(2,737)
Increase in refundable deposits	(72)	(32)
Net cash flows used in investing activities	(59,769)	(26,800)
Cash used in financing activities:		
Decrease in short-term borrowings	(33,918)	(4,953)
Cash dividends paid	(22,346)	(33,791)
Exercise of employee share options	1,612	3,284
Net cash used in financing activities	(54,652)	(35,460)
Effect of exchange rate changes	1,287	(344)
Net increase in cash and cash equivalents	25,534	26,480
Cash and cash equivalents at beginning of period	155,038	128,558
Cash and cash equivalents at end of period	**$ 180,572**	**155,038**

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

6.1 Financial Analysis (consolidated)

6.1.1 Financial analysis

Unit: Thousand NT$

Item	2013	2012	Increase/Decrease Amount	Change Percentage (%)
Current assets	16,797,438	15,251,582	1,545,856	10.14
Property, plant, and equipment	4,669,660	4,762,197	(92,537)	(1.94)
Intangible assets	56,858	54,114	2,744	5.07
Other assets	746,274	743,314	2,960	0.40
Total assets	22,270,230	20,811,207	1,459,023	7.01
Current liabilities	11,338,995	9,576,983	1,762,012	18.40
Bonds payable	0	1,460,882	(1,460,882)	(100)
Other liabilities	408,630	324,866	83,764	25.78
Total liabilities	11,747,625	11,362,731	384,894	3.39
Common stock	3,212,730	3,038,496	174,234	5.73
Advance receipts for common stock	12,284	6,919	5,365	77.54
Capital surplus	2,212,882	2,051,579	161,303	7.86
Unappropriated earnings	5,173,321	4,422,251	751,070	16.98
Other equity	(88,612)	(70,769)	(17,843)	25.21
Total stockholders' equity	10,522,605	9,448,476	1,074,129	11.37

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

1. "Bonds payable" decreased due to categorizing convertible bonds from bonds payable to current liabilities, which will mature in June 2014.

2. "Other assets" increased due to an increase in deferred income-tax liabilities.

6.2 Financial Performance Analysis (consolidated)

6.2.1 Financial performance analysis

Unit: Thousand NT$

Item	2013	2012	Increased/ Decreased Amount	Change Percentage (%)
Net revenues	36,653,661	34,434,519	2,219,142	6.44
Operating Cost	31,462,617	29,779,275	1,683,342	5.65
Gross profit	5,191,044	4,655,244	535,800	11.51
Operating expenses	3,407,908	3,171,525	236,383	7.45
Operating income	1,783,136	1,483,719	299,417	20.18
Non-operating income and expenses	176,967	(51,348)	228,315	(444.64)
Profit before tax	1,960,103	1,432,371	527,732	36.84
Tax expense	441,772	322,623	119,149	36.93
Profit	1,518,331	1,109,748	408,583	36.82

Analysis of the increased/decreased amounts:

1. The increase in non-operating income and expenses is due to increased profits from currency exchange and income from the reversal of allowance for doubtful accounts.

6.3 Cash Flow Analysis

6.3.1 Cash flow analysis for the last fiscal year:

Unit: Thousand NT$

Beginning Cash Balance	Cash Flow From Operating Activities	Cash Flow due to Investment and Financing	Impact of Exchange Rate Movements on Cash and Cash Equivalents	Cash Increase	Plan for Resolving Negative Cash Flow	
					Investment Activities	Financing Activities
4,643,375	4,153,100	(3,426,903)	38,561	5,408,133	-	-

1. Cash flow analysis:

   Operating activities: A positive cash flow of NT$4,153 million was mainly due to operating profit.

   Investing activities: A negative cash flow of NT$17.9 million was mainly due to the acquisition of fixed assets and disposition of open-ended funds.

   Financing activities: A negative cash flow of NT$1,637 million was mainly due to payments of short-term loans and cash dividends.

6.4 Significant Capitalized Expenditure Analysis:

None

6.5 Long-term Investment Objective

6.5.1 Investment plans:

Item / Unit	Dollar Amount	Plan	Main Reasons for Gains or Losses	Improvement Plan	Other Future Investment Plans
Wistron NeWeb (Kunshan) Corporation	-	Enhancing the plant's production capacity with business growth	Current volume of business matches the economic scale, and the corporation has begun to realize profits.	-	Additional investment of US$16 million to build plants and purchase equipment

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	2013
Interest income	34,232
Interest expense	65,304
Exchange gain/(loss)	99,836

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

Approximately 92% 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
Next-generation satellite receiving systems

(2) Mobile and handheld communications product series
System modules for handheld devices

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 2014 will be approximately the same as 2013.

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:

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

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? What are the countermeasures?

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.