Stock Code：6285

Wistron NeWeb Corporation

2010 Annual Report (Translation)

Published Date: April 27, 2011

1. Name, Title and Contact Information for Company's Spokesperson

Spokesperson:	Jona Song	Acting Spokesperson:	Molly Lin
Title:	Chief Finance Officer	Title:	Associate Vice President
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Tel:	+886-3-666-7799	Tel:	+886-3-666-7799

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

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

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4. The Address and Contact information of Auditing CPA in 2010

Name:	Mei-Yu, Tseng and Chia-Hsin, Chang at KPMG
Address:	68F, TAIPEI 101 TOWER, No.7, Sec.5, Xinyi Road, Taipei, 110, Taiwan, R.O.C.
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5. For more information about Wistron NeWeb Corporation GDRs: N/A

6. For more information about Wistron NeWeb Corporation:

http://www.wnc.com.tw/

This English version Annual Report is a summary translation of the Chinese version Wistron NeWeb Corporation Annual Report. This document is created for the sole purpose of the convenience of its readers and is not an official document to represent 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 can 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,

First of all, I would like to thank all our employees for their effort and hard work. In the highly competitive year of 2010, WNC made substantial progress on development of new products, new markets and new technologies, as well as on financial indicators. The full support from our shareholders, of course, was definitely a key factor that led WNC to the concrete performance.

Financial and Operation Results

In 2010, WNC revenue was NT$ 25.86 billion and gross profit was NT$ 3.60 billion. Consolidated revenue of 2010 reached NT$ 27.34 billion with an annual growth of 72%. Consolidated gross profit was NT$4.74 billion and consolidated net profit was NT$1.55 billion. Meanwhile, the basic earnings per share reached NT$5.92.

In regard to corporate operations as a whole, WNC was able to maintain comparable competiveness and profitability while overcoming the cost pressures of climbing wage standards and rising material prices last year. The performance was attributed to WNC's effort in the past few years to continually roll out new products, develop new customers and fulfill customer demands with high quality products.

Research and Development Status

Since WNC was founded, the development of new markets, technology and products has always been the primary focus of manpower and resources at WNC. In 2010, this total effort also produced a very effective set of results. We maintained a relatively dominant position in the DBS and satellite radio fields. Digital home, smart phone and wireless broad band products from WNC also made good progress in the development of related technologies, products and markets, and hence we were able to seize the chance to grow with the market and our customers.

Our continuous effort in R&D and innovation was recognized again by winning the "National Invention and Creation Award" and the "Hsinchu Science Park Innovative Product Award". By the end of 2010, WNC had collected rich intellectual property resources and had hundreds of certificated patents and on-going applications. We believe that an ever increasing knowledge base and the energy to innovate will bring us greater strength, and will help us stand out in this highly competitive environment.

Operation and Management

In 2011, we can expect a more stable overall environment than in the year 2009 and 2010. Externally, business expansion will remain a major focus of WNC, while internally we are going to modify the management information system to conform to IFRS requirements. At the same time, related activities involving 6 Sigma, TCS (Total Customer Satisfaction) and BPI (Business Process Improvement) will be applied proactively to enhance operational efficiency, product quality and competitiveness. Our perspective toward future business development opportunities will be cautiously optimistic.

Concerning environment protection and corporate social responsibilities, we are endeavoring to accomplish these goals and fulfill our duties and responsibilities as a corporate citizen.

Outlook for the Future

Looking forward, there are still many challenges that we will have to face. Besides increasingly competitive industry environments, the revaluation of the NTD and RMB, inflation, higher material costs, labor shortages and higher labor wages in China, as well as uncertainties in the global economic environment are all potentially limiting factors and challenges for corporate operations.

However, from a market point of view, product and service demands from digital home, wireless communications, broadband network and smart handheld device markets continue to increase and that brings WNC the next growth momentum. In the coming year, WNC will accomplish its corporate mission with the spirit of “fundamentals advocacy”, and take this opportunity to obtain the greatest benefits for our shareholders.

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

Thank you!

Simon Lin

Chairman

2. Company Introduction

2.1 Business summary

Wistron NeWeb Corporation (WNC), founded in 1996, is a professional product design and manufacturing company providing high quality ODM/JDM/OEM services for wireless communication products. WNC provides complete capabilities in RF antenna design, software design, hardware design, mechanical design, system integration, user interface development, product testing and certification, and manufacturing. WNC differentiates itself from the competition by applying its fundamental strengths in RF to a wide range of applications including Antenna, Automotive & Digital Media, Direct Broadcast Satellite, Digital Home, Mobile Communication, and Networking. By combining and cross-developing such a wide range of expertise under one single roof, WNC offers the best interdisciplinary services for its customers.

With its outstanding research and development capabilities and in-depth cooperation with global industries, WNC is able to develop new products in full partnership with its customers from product concept through mass production, providing well-designed total market solutions. Leveraging cooperative relationships with its customers, WNC has consistently provided user-friendly wireless communication products and is the best business partner for brand name enterprises, system operators and content service providers.

Objective

Our focus and highest priorities are on becoming an industry leader in wireless technology and fully satisfying customer needs by providing professional total end-to-end solutions.

<u>Elaborating on the appeal of wireless transmission</u>

Providing clients with a boundary-free experience in the wireless world, WNC started with personal local networks and expanded its business further to include WAN (wide area network) and satellite transmissions. WNC continues to reveal superior capability in the wireless communications field. Wireless transmission products range from personal peripherals (e.g. Bluetooth series products) to satellite receivers (e.g. antennas and LNB). Combining theory with actual applications, WNC is bringing together the full power of wireless communications to the user.

Research and development of advanced wireless communication equipment

With a strong passion for wireless technology, WNC's R&D teams consistently introduce innovative wireless communication products. WNC products have repeatedly been awarded national and international awards, including iF product design awards, CES Innovations Design and Engineering Awards, Taiwan Excellence Awards, National Invention & Creation Award, and various awards from the Hsinchu Science Park, emphasizing its highly respected professional reputation as a wireless communication company. In addition, WNC products can be fully customized and designed based on the unique requirements of its clients. Products emphasize easy installation and efficient operation and users can utilize all wireless network functions with ease, including wireless Internet connections, information transmissions, information sharing, as well as full access to multimedia entertainment.

Providing a new vision of the future

As a leader in advanced technology, WNC must be highly sensitive and responsive to future technical trends. With its professional expertise, increasing sales turnover, and in-depth knowledge of the market, WNC is well prepared for the future. Breaking through technical obstacles and constraints, WNC's innovative mindset will help create a most rewarding future for wireless network applications.

2.2 Public listing

On September 22, 2003, Wistron NeWeb Corporation’s shares were listed on the Taiwan Stock Exchange.

2.3 Milestones

Dec.	1996	Wistron NeWeb Corporation was founded and first located on Dongda Rd., Hsinchu city, Taiwan.
Feb.	1997	The paid-in capital amounted to NT$127,800,000.
April	1997	Established manufacturing plant on Fenggang Rd., in Jubei city.
Sep.	1997	The paid-in capital amounted to NT$199,800,000.
April	1998	Obtained ISO 9001 certification from RWTUV (Germany).
Sep.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
Jan.	1999	Obtained the patent for the small-type round/linear dual-purpose wave collector.
Nov.	1999	The paid-in capital amounted to NT$400,000,000.
June	2000	Obtained the patent for the satellite dish antenna microstrip array feed device.
June	2000	Obtained the patent for the MULTIPLE-FEED ELECTROMAGNETIC

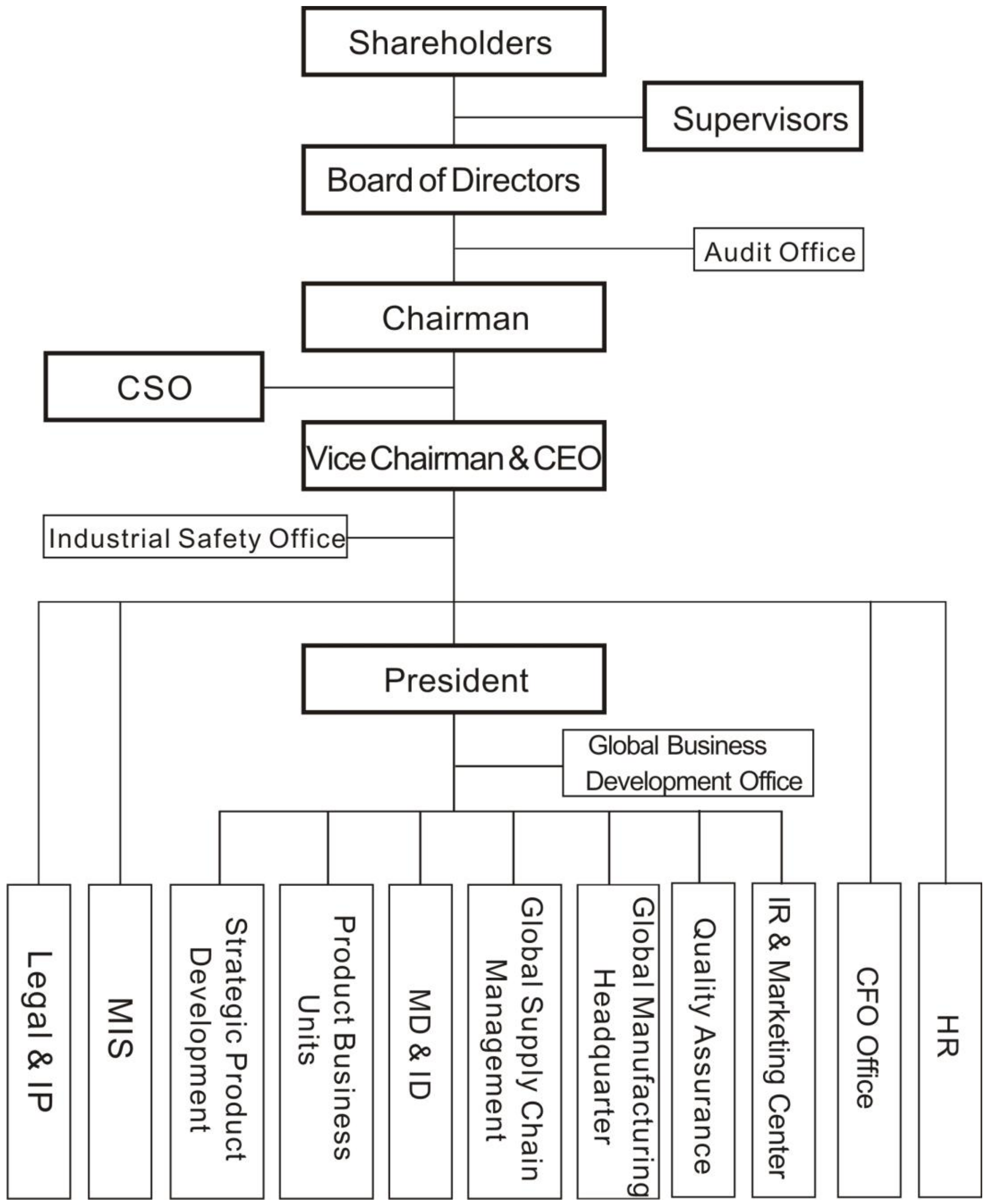
		SIGNAL RECEIVING APPARATUS.
June	2000	The Bluetooth product series were honored with the Best Product at Computex Taipei 2000.
July	2000	Received the technology of Springboard Wireless Connector transferred from WIDCOMM (U.S.).
July	2000	Obtained the patent for the antenna receiver device.
Aug.	2000	Obtained the patent for the MODULARIZED MULTIPLE-FEED ELECTROMAGNETIC SIGNAL RECEIVING APPARATUS.
Aug.	2000	Officially entered mass production of PHS handsets.
Sep.	2000	The Bluetooth PDA Connector and the IEEE 802.11b PCMCIA Card received the Taiwan Symbol of Excellence Award.
Oct.	2000	Obtained the patent for the feed source wave concentrating device.
Dec.	2000	Obtained the patent for the DUAL ELLIPTICAL CORRUGATED FEED HORN FOR A RECEIVING ANTENNA.
Dec.	2000	Established the ANC Holding Corporation.
Oct.	2000	Established the WNC Holding Corporation.
Dec.	2000	The Bluetooth USB dongle received the Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park. Paid-in capital amounted to NT$480,000,000.
May	2002	Established the NeWeb Holding Corporation.
May	2002	Increased NT$61,957,000 through capitalization of profits. The paid-in capital amounted to NT$541,957,000.
July	2002	Honored with the Best International Import and Export Trade Growth in Taiwan.
Nov.	2002	The paid-in capital amounted to NT$644,000,000.
Feb.	2003	Established W-NeWeb Corp. in the U.S.
June	2003	Increased NT$165,980,000 through capitalization of profits. The paid-in capital amounted to NT$809,980,000.
Sep.	2003	Wistron NeWeb Corporation was officially publicly listed on the Taiwan Stock Exchange .
Nov.	2003	The IEEE802.11a/g Switch obtained the Innovation Product Awards 2003 from the Hsinchu Science Park.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in mainland China.
Mar.	2004	Established WNC (Kunshan) Corporation in mainland China.
May	2004	Merged with Acer Netxus Inc. from May 31, 2004.
Aug.	2004	Increased NT$159,306,000 through capitalization of profits. The paid-in capital amounted to NT$993,147,000.
Aug.	2005	Increased NT$176,264,000 through capitalization of profits. The paid-in capital amounted to NT$1,182,221,000.
Sep.	2005	Raised capital of NT$170,000,000. The paid-in capital amounted to NT$1,364,727,000.
Nov.	2005	Obtained ISO 14001 certification from RWTUV (Germany).
Nov.	2005	LNB annual output reached 10 millions.
Dec.	2005	Obtained ISO/TS 16949 certification from RWTUV (Germany).
Jan.	2006	The 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	The GSM/Wi-Fi Dual Net Phone (GW1) received the Best Choice of Computex Taipei 2006 Award.
Aug.	2006	Increased NT$238,078,000 through capitalization of profits. The paid-in capital amounted to NT$1,611,055,000.

Nov.	2006	Obtained the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
July	2007	The Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Increased NT$388,527,000 through capitalization of profits. The paid-in capital amounted to NT$2,014,812,000.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in mainland China.
Dec.	2007	Started mass production of Ka/Ku ODU products.
Jan.	2008	The GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
Mar.	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	The WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008	Started construction of the new headquarters building.
Aug.	2008	Increased NT$352,340,000 through capitalization of profits. The paid-in capital amounted to NT$2,367,151,000.
Sep.	2008	The wireless multimedia player, Wi-Fi Media Frame, obtained the Innovation Product Award from the Hsinchu Science Park.
Oct.	2008	Obtained OHSAS 18001 certification from RWTUV (Germany).
Jan.	2009	The GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Sep.	2009	Increased NT$154,560,000 through capitalization of profits. The paid-in capital amounted to NT$2,521,711,000.
Nov.	2009	Obtained the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
Nov.	2009	Accomplished the auditing and training programs of EuP DIRECTIVE 2005/32/EC and applied it into product design processes.
Jan.	2010	Moved to the 20 Park Avenue II (or Yuanchiu 2nd Rd), Hsinchu Science Park, Hsinchu City.
April	2010	Accomplished the auditing and training programs of ErP DIRECTIVE 2009/125/EC and applied it into product design processes.
June	2010	The UI design artwork, Fun-Quick, received the 2010 iF communication design award.
Aug.	2010	Increased NT$124,069,000 through capitalization of profits. The paid-in capital amounted to NT$2,663,390,000.
Aug.	2010	Obtained the Contribution Award and Invention Award of 2010 National Invention & Creation Award.
Oct.	2010	Obtained the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Innovative Product Award from the Hsinchu Science Park.
Feb.	2011	Obtained the 2010 Asiamoney Corporate Governance Poll - Overall Best for Investor Relations across Asia - Best Overall for Corporate Governance - Best for Responsibilities of Management and the Board of Directors - Best for Shareholders' Rights and Equitable Treatment - Best for Investor Relations - Best for Disclosure and Transparency - Best Investor Relations Office

3. Operational Highlights

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Department functions

Department	Main Responsibilities
Audit Office	Responsible for internal audit and evaluation for company's internal operations
Safety & Sanitation Office	Supervision of corporate safety, sanitation, and environmental pollution prevention
Human Resources Administration Div.	Responsible for the corporate management system, human resources, employee welfare, sanitation, safety, employee training and general affairs
Finance Div.	Treasury, financial management, investment, accounting service, and tax service
MIS Center	Corporate information system, software and network management and maintenance
Legal & IP Center	Corporate legal affairs, contracts, patents, and business-related legal consultative services
Global Business Development Office	Corporate new business and new market development
Business Units	Market development, order management, customer and payment management, customer complaint management, and new product planning and development process control
Strategic Product Development Div.	New product design and technology development, sample development, technology transfer, product enhancement, product failure analysis, fixture design/ construction, and providing technical support for marketing departments and customers
Mechanical and Industrial Design Div.	Product appearance development, mechanical design, and qualified mechanical vender evaluation and supervision
Global Manufacturing Headquarter	Warehouse management, manufacturing, production schedule planning, manufacturing process planning and enhancement, outsourcing management, and product inspection and delivery
Global Supply Chain Management Div.	Global material planning, purchasing, logistic support, and supplier quality management
Quality Assurance Div.	Responsible for quality and reliability assurance, product output inspection, after-sales service, and ISO quality system implementation and improvement
IR & Marketing Center	Business information integration, marketing strategies, exhibitions, advertisements, public relationship maintenance, and marketing activities over the Internet

3.2 Board of Directors, Supervisors and Key Managers Background Information

3.2.1 Information of Board of Directors (April 20, 2011)

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Date Elected</th><th rowspan="2">Term</th><th colspan="2">Shares Held When Elected</th><th colspan="2">Current Shareholding</th><th colspan="2">Shares Held by Spouse & Minors</th><th rowspan="2">Educa-tion</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>Simon Lin (The representative of Wistron Co.)</td><td>06/11/2008</td><td>3</td><td rowspan="2">55,425,490</td><td rowspan="2">27.51%</td><td rowspan="2">70,261,904</td><td rowspan="2">25.80%</td><td rowspan="2">0</td><td rowspan="2">0%</td><td>Bachelors</td><td>Chairman & CSO of Wistron NeWeb
Chairman & CEO of Wistron
Chairman & President of AOI
Chairman of Wistron ITS
Chairman of Changing
Director of Gamania
Independent Director of TICP
Independent Director of Neo Solar Power Corp.
Director of Keen High
Independent Director of TPKH</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director</td><td>Frank F.C. Lin (The representative of Wistron Co.)</td><td>06/11/2008</td><td>3</td><td>Bachelors</td><td>Chief Staff Officer of Wistron
Director of AOI
Supervisor of Wistron ITS
Director of Changing
Chairman of WiseCap .
Chairman of WLB
Chairman of AnexTEK
Supervisor of Formosoft
Director of IP Fund Two
Supervisor of aEnrich Technology Corp.
Supervisor of Nolvate Advanced</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Title	Name	Date Elected	Term	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Educa-tion	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	Haydn Hsieh	06/11/2008	3	3,046,241	1.51%	4,335,416	1.59%	66,663	0.02%	Bachelors	Vice Chairman & CEO of Wistron NeWeb Director of Wistron Director of AOI Director of aEnrich Technology Corp. Independent Director of Raydium	-	-	-
Director	Jeffrey Gau	06/11/2008	3	920,086	0.46%	1,584,818	0.58%	307,747	0.11%	Doctorates	President of Wistron NeWeb	-	-	-
Director	Max Wu	06/11/2008	3	0	0%	0	0%	457	0%	Bachelors	Chairman of Birch Venture Capital Chairman of Hua Nan Assets Management Chairman of Goyatek technology Chairman of Integrated System Solution (ISSC) Director of Novatek Director of AOI Independent Director of Apacer Director of MicroBase Technology Director of Glory Praise Photronics Director of e-Ray Optoelectronics Technology Director of Kismart Director of Chin-Shi Electronic Materials	-	-	-
Independent Director	S.T. Peng	06/11/2008	3	0	0%	0	0%	0	0%	Doctorates	Chair and Professor of Yuan Ze University Communication Research Center (YZU CRC) Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation Supervisor of SpringSoft Education Foundation	-	-	-

Title	Name	Date Elected	Term	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Educa-tion	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	Morgan Chang	06/11/2008	3	0	0%	0	0%	18,088	0.01%	Bachelors	CEO of Kuang Chien Computer Supervisor of Great Eastern Resins (GRECO) Chairman of Learningdigital.com Vice chairman of Manufacturers Association of Taichung Industrial Park	-	-	-
Supervisor	Henry Lin (The representative of WiseCap Ltd.)	06/11/2008	3	1,518,307	0.75%	1,924,729	0.71%	0	0%	Masters	Chief Finance Officer of Wistron Supervisor of AOI Independent Director ofYoungoptics Independent Director of RDC Supervisor of Browave	-	-	-
Supervisor	Philip Peng	06/11/2008	3	84,364	0.04%	100,945	0.04%	0	0%	Masters	President of iD SoftCapital Inc. Director of Acer Supervisor of Wistron Chairman of Smart Capital Supervisor of AOI Director of Wistron ITS Director of Chung Hwa Investment	-	-	-
Supervisor	Hsing-Chuan Hsin (Note 1)	06/11/2008	3	0	0%	0	0%	0	0%	Masters	The CPA of the Hsing-Chuan Hsin CPA firm	-	-	-

Note 1: Ms. Hsing-Chuan Hsin resigned the supervisor position on August 10, 2010.

3.2.2 Major Institutional Shareholders (April 20, 2011)

Name	Name of Major Shareholders	Percentage (%)
Wistron Corporation	JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder, Inc.	4.89%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	3.92%
	Chunghwa Post Co., Ltd	2.72%
	Cathay Life Insurance Co., Ltd.	2.35%
	Acer Incorporated	2.08%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	1.94%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for New World Fund, Inc.	1.74%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	1.71%
	Wistron Corp. Global Depositary Receipts	1.58%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.47%
WiseCap Ltd.	Wistron Corporation	100%

3.2.3 Major Shareholders (April 20, 2011)

Name	Major Shareholders	Percentage (%)
Chunghwa Post Co., Ltd	Ministry of Transportation and Communications	100%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings	100%
Acer Incorporated	JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	5.31 %
	Magellan	2.77 %
	Stan Shih	2.77 %
	Hong Rong Investment Corp.	2.51 %
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder, Inc.	2.10 %
	Acer GDR	1.74 %
	OMGEST GROWTH PLC	1.74 %
	JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	1.54 %
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.48 %
	Old Labor Retirement Fund	1.05 %

3.2.4 Information of Key Managers (April 20, 2011)

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CSO	Simon Lin	11/26/1996	1,904,036	0.70%	20,012	0.01%	Bachelors	Chairman & CSO of Wistron NeWeb Chairman & CEO of Wistron Chairman & President of AOI Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Director of Keen High Independent Director of TPKH	-	-	-
Vice Chairman & CEO	Haydn Hsieh	06/14/1990	4,335,416	1.59%	66,663	0.02%	Bachelors	Vice Chairman & CEO of Wistron NeWeb Director of Wistron Director of AOI Director of aEnrich Technology Independent Director of Raydium	-	-	-
President	Jeffrey Gau	01/01/2008	1,584,818	0.58%	307,747	0.11%	Doctorates	-	-	-	-
Vice President	Larry Lee	08/16/2005	361,899	0.13%	0	0%	Masters	-	-	-	-
Vice President	KH Cheng	08/16/2005	283,493	0.10%	111,778	0.04%	Masters	-	-	-	-
Vice President	Fayu Chen	04/07/2008	244,243	0.09%	774	0%	Masters	-	-	-	-
Vice President	Cheng-Lin Li (Note 1)	04/06/2009	10,498	0%	0	0%	Masters	-	-	-	-
Vice President	Jack Liu (Note 2)	07/19/2010	30,000	0.01%	0	0%	Bachelors	-	-	-	-
Chief Finance Officer	Jona Song	01/01/2002	527,785	0.19%	16,534	0.01%	Bachelors	-	-	-	-
Associate Vice President	David HC Lee (Note 3)	08/16/2005	157,500	0.06%	0	0%	Masters	-	-	-	-
Associate Vice President	Hsing-Tang Liu (Note 4)	08/16/2005	230,935	0.08%	0	0%	Bachelors	-	-	-	-

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Associate Vice President	Jasmine Huang	08/16/2005	281,283	0.10%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Ray Lee	02/01/2006	252,757	0.09%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Kevin Chiang	04/07/2008	202,997	0.07%	1,260	0%	Masters	-	-	-	-
Associate Vice President	Jeff Chang	08/05/2009	35,000	0.01%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Chris Hwang	02/05/2010	60,641	0.02%	0	0%	Masters	-	-	-	-
Associate Vice President	Bird Huang	02/05/2010	105,879	0.04%	0	0%	Masters	-	-	-	-
Associate Vice President	TJ Chen	02/05/2010	104,855	0.04%	5,070	0%	Masters	-	-	-	-
Associate Vice President	Johnson Hsu	02/05/2010	155,134	0.06%	0	0%	Masters	-	-	-	-
Associate Vice President	CY Chang (Note 5)	02/22/2010	0	0%	0	0%	Masters	-	-	-	-
Associate Vice President	Carlie Wang (Note 6)	07/27/2010	22,548	0.01%	0	0%	Masters	-	-	-	-
Associate Vice President	Jason Chen (Note 7)	12/05/2010	19,414	0.01%	0	0%	Masters	-	-	-	-
General Plant Manager	Andrew Wong	12/01/2009	37,000	0.01%	0	0%	Bachelors	-	-	-	-

Note 1：Mr. Cheng-Lin Li resigned the vice president position on September 3, 2010.
Note 2：Mr. Jack Liu was named vice president on July 19, 2010.
Note 3：Mr. David HC Lee resigned the associate vice president position on July 19, 2010.
Note 4：Mr. Hsing-Tang Liu resigned the associate vice president position on May 10, 2010.
Note 5：Mr. CY Chang resigned the associate vice president position on July 19, 2010.
Note 6：Mr. Carlie Wang was named associate vice president on July 27, 2010.
Note 7：Mr. Jason Chen was named associate vice president on December 05, 2010.

3.3 Corporate Governance, Discrepancy between the Corporate Governance Principles Implemented by the Company and the Government principles, and the Reason for the Discrepancy

Items	Implementation	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
A. The ownership structure and shareholders' equity		
a. The handling of the shareholders' proposals and disputes	a. The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposals and disputes.	No discrepancy
b. Search for information on the identities of major shareholders and their ultimate controlling persons	b. The Company always keeps the 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. The establishment of risk control mechanism and firewalls with affiliates	c. The Company has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, loaning of funds and the rules governing acquisitions and dispositions of assets etc.	No discrepancy
B. The composition and duties of Board of Directors		
a. The election of independent directors.	a. The Company has set two seats for Independent Directors in the Board.	No discrepancy
b. The regular evaluation of independence of CPA	b. The CPA is confirmed after evaluation and discussion of the Board.	No discrepancy
C. The establishment of communication channels	The Company has established the appropriate communication channels with	No discrepancy

Items	Implementation	Discrepancy between the corporate governance principles implemented by the Company and the government principles, and the reason for the discrepancy
with stakeholders	suppliers, customers, banks, investors and other stakeholders.	
D. The disclosure of information a. The utilization of website to disclose the information of finance, operations and corporate b. The others means of disclosing information	 a. The Company has set up a website containing the information regarding finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations. b. The Company has one chief spokesman and one acting spokesman and also designated a team to be responsible for gathering and disclosing the information.	 No discrepancy No discrepancy
E. The establishment and enforcement of Audit Committee and other functional Committees	The Company has set up the Audit Committee in the Board.	No discrepancy

F. If your Company has implemented the corporate governance principles according to the Principles, please identify the discrepancy between it and the Principles:

- Overall, the Company follows government principles.

G. Other important discourses that help you to understand the enforcement of corporate governance of Company:

- The recruitment policies of the Company conform to government regulations. All employees have equal rights and development opportunities in the Company.
- The Company signs purchasing contracts with suppliers to protect mutual rights.
- The Company maintains stable and close relationships with customers to obtain stable and reasonable profits.
- The Company has purchased liability insurance for Directors and other key employees.

3.4 Corporate Social Responsibility

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Exercising Corporate Governance (1)The company declares its corporate social responsibility policy and examines the results of the implementation. (2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies. (3) The company organizes regular training on business ethics and promotion of matters prescribed in the	**Implementation of Social Responsibility** WNC has established the following Corporate Social Responsibility objectives in 2011 in order to strengthen its long-term goal of sustainable corporate development. ■ Maintains "steady corporate growth" ■ Promotes a "LOHAS & carbon-reducing office lifestyle" ■ Develops "green quality systems" ■ Assists "disadvantaged school kids' educations" The IR & Marketing Center is in charge of coordinating CSR (corporate social responsibilities) and establishing the CSR report. Each department is responsible for the execution of CSR policies. Through a half-year performance appraisal system, supervisors from each unit must review the effectiveness of CSR policy implementation. Further goals are set as necessary for future development and are to take effect after approval by the President. Ever since WNC was founded, it has set up its internal regulations in accordance with applicable national laws to guide its employees, managers and the Board of Directors. Further adjustments to internal compliance with regulations based on amendments to regulations must be made by competent authorities with an understanding of the full scope of domestic/international investments and sales trends. Operating policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, conflicts of interest, information safety and public welfare assistance are all included in the field of corporate compliance. All WNC subsidiaries and affiliates are required to follow the same corporate compliance guidelines. WNC clearly states that employees must uphold	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	high ethical standards, abide by norms of integrity while executing their jobs and work to protect company credibility. WNC pays close attention to every change in domestic/international policies and regulations and amends related risk control policy accordingly.	
2. Fostering a Sustainable Environment (1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2)The company establishes proper environmental management systems based on the characteristics of their industries.	**Green Management** WNC's business belongs to a technology-intensive industry of research and development. Since manufacturing processes only includes SMT (surface mount technology), precision assembly, environmental testing, etc, it is relatively rare to generate waste gases, waste water, undesirable noise, toxic substances or other pollutants. As for disposing of waste material, WNC invites only professional officers recognized by the EPA (Environment Protection Administration), and makes related declarations online as required to ensure that there is no contamination to the environment. Inspections of water, air and wastes are also performed by certified inspection agencies. WNC implements all applicable pollution prevention tasks in a positive cycle under its well-prepared management system and regularly inspects the waste treatment plant to ensure proper operation. To date, WNC has obtained ISO 140001:2004 Environmental Management System Certification, and has steadily moved forward to more effective environmental protection management. WNC's green management will continue focusing on the uniting of green and environmentally-friendly concepts into product design, development and manufacturing processes. At the same time, WNC applies environmental protection awareness and	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(3)The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment. (4)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	measures to the daily lives and work habits of its employees. It strives to promote green concepts to all of its employees as well as their family members and friends, so as to maintain and protect the truth, goodness and beauty of the world we live in. In response to the requirements set by international environmental protection directives and standards for restricted usage of environmental hazardous substances from specific customers, WNC has established the Quality System and Green Product Management Department to enforce WNC green policies. According to directives (such as RoHS) and customer requirements, WNC has set up a control list of hazardous substances, managed materials within factories and raw materials used in manufacturing processes on the supplier side and formulates standard green procurement procedures as well. For products constrained by relevant directives or by the customers themselves, WNC specifies management procedures, implements lead-free processes for reliable and rigorous measurement, and monitors environmentally hazardous substances in raw materials and products from product design through the entire production process. XRF equipment is also utilized for the inspection of incoming material. For low carbon product development and overall greenhouse gas emissions control, WNC implements management systems for green products and manufacturing processes. Related standards are specified for lowering overall corporate carbon output and monitoring greenhouse gas emissions and energy efficiency. Suppliers are also included in the management system. WNC periodically audits supplier performance on green policy implementation. WNC follows the Eco-design Requirements of Energy-using Products (EuP) directives led by the IDB (Industrial Development Bureau) of the MEA (Ministry of Economic Affairs) in 2009 and consistently implements related management processes. WNC transforms the pursuit of eco-design into a fundamental requirement and considers environmental protection factors in the earliest stages of product design and development. With product LCA (life cycle assessment) principles at the forefront, WNC identifies various eco-design parameters such as hazardous substance restriction, energy efficiency, recycling and reuse,	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	environmental impact and so on. Meanwhile, WNC raises the requirements on the supplier side to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC. **Energy Efficient Office** WNC employees are encouraged to practice a low-carbon life style. A series of environmental protection courses are held continuously to promote green concepts to all of its employees and to make WNC an environmentally-friendly corporation. To advocate and unite the pursuit of environment-friendly and energy-saving concepts with daily life, WNC is driven to apply the following water and energy-saving measures. **Water-savings:** ■ Uses basin to recycle water. The total amount of recycled water each year is around 15,461.8 tons, the air-conditioned chiller water is around 13,846.8 tons and the recycled rain water is around 1,615 tons. The recycled water is used for air-conditioner chiller water tower, plant watering and toilet cleaning on each floor. ■ Uses water-permeable floor to plant the afforestation plants and grass, uses planting bricks to replace normal bricks on the u-turn floor for cars and parking. Those measures increase greening and strengthen surface drainage. ■ Uses induction tap in toilets, and sets the water tap in pantry to the minimum water discharge level. **Energy-savings:** ■ Chiller uses a heat recycling system	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	■ Chiller water tower and fans installed with temperature control and frequency conversion features. ■ Uses tunnels to reduce external temperature to lessen air-conditioning loading. ■ Uses external air-conditioning to reduce room temperatures in winter. ■ Raises chiller water temperatures for electricity savings. ■ Auto on/off for chiller and fan according to indoor loading. ■ Air-conditioning in the office is set to a constant temperature. ■ Maintains air-conditioning temperatures at 26±2 in summer. WNC saves up to 800,000 kilowatt hours every year while raising temperatures by 1 degree. ■ Illumination is only used in active sections of the production line to help save up to 31,710 kilowatt hours every year. ■ Office and factory illumination designs are compatible with CNS standards. ■ Uses electricity generated by wind power for WNC signage illumination. ■ Uses time switch and induction lighting for parking lot illumination. **Waste reduction:** ■ Promotes paper-free office programs and encourages employees to recycle resources and reduce waste. ■ Uses dissolvable short-fiber toilet paper. ■ Distributes environmentally-friendly eating utensils and bags to WNC employees. **Low carbon lifestyle promotion:** ■ Uses public areas to post energy-saving and waste reduction notices. ■ Elevator alternating floor control for reducing power consumption and encouraging employees to use stairways by holding activities in the office building. ■ Holds LOHAS seminars to promote energy-saving habits and also implements green environment related activities.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
3. Preserving Public Welfare (1)The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures. (2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis. (3)The company establishes and discloses policies on consumer rights and interests and provides a	**Employment** Employees are the most important assets of a company. WNC always maintains its corporate recruitment principles of "respect human rights" and "having the right person in the right job", as well as ensuring that the entire recruitment process conforms to all labor regulations and Gender Equality guidelines in Employment Law. Employee professionalism is the key factor in the entire recruitment process. Individual gender, age, race, religion, and political affiliation will never be considered as an advantage or drawback upon evaluation. All participants have an equal opportunity to express their capabilities in a public and transparent recruiting process. Personnel from the recruitment affairs department also regularly participate in diversity training programs regarding the interview process, which include interview skills and the use of specialized evaluation tools to give consideration to both the equity of the interview process and a better interview experience for all interview participants. Besides participating in Labor Insurance, National Health Insurance, and contributing employee wages to their retirement accounts according to Article 55 and 56 of the Labor Standards Act law, all WNC regular employees also enjoy a group insurance plan that WNC provides, which allows colleagues and their families to have more protection against health hazards and accidents. All WNC regular and contract employees also enjoy longer annual leaves than that specified in the Labor Standards Act, providing employees with more time for relaxation. Environmental, Safety & Health (ESH) Management We follow all government regulations regarding the environment, safety and health, and put into practice all relevant measures according to the ESH (environmental, safety and health) management policies given below:	None

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
clear and effective procedure for accepting consumer complaints. (4)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (5)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	■ Conform to government regulations and ensure that environmental protection measures keep up-to-date with global ESH trends. ■ Provide a safe and healthy working environment for all employees. ■ Continue the effort to prevent pollution and occupational injuries and diseases. ■ All employees must work in a concerted effort to design and manufacture high quality green products that fulfill customer demands. Since its establishment in 1996, WNC has been working proactively to establish a safe and healthy working environment. Besides establishing ESH policies, WNC pays great attention to employees’ education and practice of those safety and sanitation rules to help prevent damages and health risks. An ISO implementation committee has been set up for monitoring and controlling the ESH management system, as well as examining the corporate environmental aspects and assessing ESH risks in order to achieve PDCA (plan-do-check-act) principles. The ESH certifications obtained by WNC includes: ● 2009- Accreditation certification for achieving a healthy workplace from the Bureau of Health Promotion. ● 2008- OHSAS 18001 certification. ● 2005- ISO 140001 certification. WNC is also planning to implement the TOSHMS (Taiwan Occupational Safety & Health Management System) to further complete its ESH management system. WNC management has procedures that provide for the health and safety for our employees. WNC emphasizes and proactively performs numerous risk evaluations and controls, periodically manages the changes that are related to occupational safety and health, and controls the influences that each change may cause. Internal and external auditing activities are held every year to ensure that the occupational safety and health system is functioning well and is improving. To effectively maintain workplace safety and minimize employee	

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	health hazards, we evaluate workplace conditions periodically according to government laws regarding the monitoring of the workplace environment. The target items we measure include lead, organic solvents, illumination, carbon dioxide and noise. The carbon dioxide monitoring system is installed all around the office and factory areas. Employees can check the concentration of indoor carbon dioxide anytime. To quicken reaction times to emergencies, all WNC employees are organized into fire-prevention teams on a department basis. We also hold traffic & safety forums, health forums, health enhancement activities, occupational safety and health training and annual fire-prevention training to help colleagues have better awareness of personal health care and occupational safety concerns. **Customer Satisfaction** To strengthen customer trust and satisfaction with WNC's products and services, WNC is dedicated to reinforcing industry competitiveness and market share. The customer service department performs the assessment mechanism of the customer's level of satisfaction, surveying and analyzing customer feedback regarding product quality, technology, lead time and other aspects. The analysis of the reasons why customers are not satisfied will be sent to relevant units to seek and execute improvement plans and to then follow-up on results. This is one of the primary reasons WNC has consistently obtained awards, recognitions and praises from its customers. In 2010, WNC issued 2210 conformance statements for the products that were manufactured with regard to customer requirements and the regulations of the Restricted Usage of Environmental Hazardous Substances. At the same time, WNC continuously advances promotion and verification measures to improve and stabilize the quality system. After obtaining ISO 9001 and ISO/TS 16949 certification in 2004 and 2005 respectively, WNC has continued to update its certifications annually based on the latest standards, so as to diligently maintain and improve operational	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	effectiveness of its quality system. Beginning in 2006, the Lean Six Sigma (LSS) project was introduced. Taking zero defects as its goal, the system teaches WNC employees problem-solving concepts, procedures and tools to improve operational flows including product design, materials management, production procedures, operations management, administration management, capital management, project management, etc. **Green Supply Chain** WNC values not only suppliers' capabilities in product quality, cost reduction, delivery and technology, but also their green products and social responsibilities. To provide stakeholders with good quality products and services, WNC takes supplier performance and execution of their internal quality management systems as a primary evaluation indicator during the supplier authentication process. It requires suppliers to sign and follow WNC's Standard for Restricted Usage of Environmental Hazardous Substances and other international regulations including RoHS, WEEE, REACH, ErP, Battery**,** etc. Starting from 2007, suppliers are also required to sign a quality agreement that includes WNC's green management policies. We had 900 suppliers signing the quality agreement in 2010 and will continue the process with all cooperating suppliers. The process ensures WNC products conforming to customer and regulation requirements for restricted substances and helps WNC reach its goal of a totally green supply chain. WNC puts standards for controlling environmental hazardous substances into its incoming material inspection flow. The raw materials that are not in compliance with standards will be defined as nonconforming products and WNC will require suppliers to offer corrective and preventive measures to immediately prevent their recurrence. All endeavors are to effectively reduce pollution of the environment caused by scrap electronic products, which	

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	have an indirect negative impact on human health. WNC does not directly procure metal as raw materials, and we also have learned that most of our suppliers do not have a direct purchasing relationship with mining companies as well. However, to fulfill social responsibilities and play a positive role to guide suppliers, WNC has announced that it does not accept metals from armed conflict, illegal mining and poor working conditions. Since 2010, WNC have required a total of 68 suppliers to sign the letter of commitment to say no to conflict minerals based on the degree of risk involved with obtaining raw materials, so as to carry out corporate responsibility for sustainable operations. To apply green supply chain principles, WNC stringently requires its suppliers to sign the quality agreement to comply with WNC’s Standards for Restricted Usage of Environment Hazardous Substances. When necessary, suppliers are required to offer test reports from a third party. WNC implements source management regarding the suppliers’ manufacturing process, green product design and usage of environmentally hazardous substances. The primary evaluation categories cover the three categories including operational risks, R&D engineering capability and the quality assurance system. When any of the categories does not meet the criteria specified by WNC, the supplier will not be recognized as a qualified supplier. From 2006 to 2007, WNC developed an Internet Supplier Portal to ensure that the information between WNC and its suppliers is timely and effectively communicated, collected and integrated. Meanwhile, it assists in reducing the waste of time and resources caused by paper delivery. WNC hopes that it can learn and develop together with suppliers, and finally realize many win-win achievements in efficiency. ■ E-Procurement system: With an Internet Supplier Portal and a JIT system, material	

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	demands are shown immediately and transparently to suppliers to respond to changes in demand as early as possible. In addition to lowering the risks resulting from supply chain disruption or excess inventory of raw materials, it can also further monitor delivery status and payment conditions. The environmental regulations and directives that suppliers should comply with are highlighted in the portal home page, and will be sent to corresponding suppliers together with the order. In this way, it helps urge the suppliers to ensure that their products are in compliance with all relevant environmental standards on prohibited substances and RoHS specifications recognized by WNC, so as to promote the sustainable development concept of keeping a proper balance between economic growth and environmental protection. ■ E-Kanban system: The e-Kanban system can effectively improve quality control efficiency while working together with suppliers. If there is a lack of specific raw materials or a manufacturing bottleneck exists, WNC and its suppliers can hold timely discussions to solve the problems as soon as possible. To enhance the quality of suppliers, WNC performs Vendor Performance Evaluation quarterly to assess overall performance with indicators concerning quality, price competitiveness, lead time, flexibility, service and so on. Through investigation and on-site audits, if there is any non-compliance with WNC's regulations, WNC will work together with suppliers to set up improvement plans. To ensure that the improvement plans can be carried out properly, in addition to setting up definite goals and schedules for improvement, WNC also assigns professional officers to provide suppliers with assistance, training and supervision. Besides regular performance evaluations, WNC holds quarterly business review meetings with high-ranking directors from suppliers for product and service quality reviews and outlooks. They can also update industry trends for both sides to fully grasp market variations and launch the right product and service that meets market demands. WNC has successively begun a carbon partner relationship with some customers and suppliers. WNC proactively participates in carbon emissions related training and performs	

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	carbon emissions inventory and reduction plans, as well as joins the CDP (Carbon Disclosure Project). In 2010, WNC accomplished 3 projects that assist customers in the set up of their own product carbon footprint inventory procedures. WNC's GHG (greenhouse gas) inventory and reduction plans started in 2009. The 2010 WNC GHG inventory and reduction is scheduled for this year and will be inspected by a third party. The result will be announced via a CSR report, WNC corporate website and the CDP (Carbon Disclosure Project) Developing long-term partnerships with suppliers has always been a very important operations policy of WNC. Suppliers play an important role in raising sustainable competitiveness in any corporation. WNC gives awards and expresses its sincere gratitude to suppliers for their outstanding performance and special contributions in its annual supplier conference. Since corporate social responsibility has already become the common concern that corporations must face for sustainable operations, WNC gives encouragement to suppliers to join together in achieving these mutually beneficial goals. **Social Participation** As a corporate citizen, WNC has devoted itself in social welfare and built corporate value through corporate social responsibility since its establishment. The major four social care programs at WNC give financial and manpower support to youth professional development, care of disadvantaged school kids, assistance to charitable organizations and collection of disaster relief funds. Starting in April 2009, WNC began its social care program with the name of "WNC Social Care Assistance". The corporate internal website, "Social Care Assistance Platform", was then set up for the purpose of providing a convenient channel for WNC employees to obtain social care information and to contribute their donation/assistance on-line. With the amount of 200,000 NTD per semester, WNC provides long term subsidization of	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	the After-School Volunteer Club of National Tsing Hua University, which encourages its members to turn their knowledge into the ability to serve and care for people. During the process of devoting themselves to others, they develop a further understanding of their own personalities and our multidimensional society, as well as learn to cherish what they have and to be modest. Club members submit their proposals for the coming semester every February and August. Through the process of composing their proposals based on the actual needs of students, they learn from real experience on how to plan an after-school program, to properly allocate resources, to perform benefit assessments and to evaluate performance, which helps them develop a basis for future career development by improving their ability to plan, to execute and to present a proposal. This after-school program targets those in need of assistance defined by the Department of Social Welfare, which includes elementary and junior high school students that are raised by a single parent or grandparents, or in families with low income, family violence or other special backgrounds. The program provides children with accompanying homework guidance, course review, daily life problem solving and personality guidance. One tutor usually takes care of the same children, which may be on the basis of one-on-one or one-on-two, to effectively improve the self-esteem and study performances of those kids. This close relationship is expected to reveal and give awareness to teachers and social workers of kids with problems early and provide timely and appropriate care of the children. In 2010, a "volunteers' time" program started, encouraging WNC employees joining the after-school programs, proving those disadvantaged kids and teenagers with more essential assistance. In September 2010, the Science Service Club of National Tsing Hua University was also included in WNC's subsidization program with the same subsidies of 400,000 NTD per year according to the proposal that the club provides. The club also provides school students that live in outlying areas of Hsinchu with course guidance and the promotion of science education as their primary missions, providing those kids with more diversified learning options and encouraging them to experience the interesting and practical science knowledge that can be gained from daily life.	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
4. Enhancing Information Disclosure (1)The measures of disclosing relevant and reliable information relating to their corporate social responsibility. (2)The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	**Information Disclosure** ■ Company Website The WNC website, http://www.wnc.com.tw, discloses company information that is verified by respective department supervisors, which includes basic company information, product introduction, corporate social responsibility, information about activities, recruitment information, financial performance, etc. It provides stakeholders with the latest information and corresponding contact windows for obtaining more comprehensive information and services. ■ Activities In addition to participating in global professional exhibitions and seminars to introduce new technologies and products, WNC also attends investor conferences held by investment consultants, dealers and institutional investors to share industry information. ■ News Release WNC uses appropriate channels and media to announce important information such as exhibitions, awards, financial up-dates and company operations. **CSR (Corporate Social Responsibility) Report** The first CSR report of WNC describes the results of WNC's more than 10 years in operation since its establishment through expansion of its business scope, and the combining of all Taiwan based factories and offices into WNC's current headquarters in	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	January 2010. It describes its operating results as well as the results of its Environmental, Safety and Health (ESH) programs in combination with the results of WNC's contribution to society. Meanwhile, it is a report for all stakeholders to understand that, apart from putting much effort into steady corporate and operational growth, WNC also continues to devote itself to the environment and the needs of society. The IR & Marketing Center of WNC is responsible for development of the CSR report. The first review and description of WNC social responsibility programs was completed at the end of 2010. A revision of this report is now being processed based on the G3 guidelines of the GRI (Global Report Initiative), which describes the disclosure standards of economic, environmental and related social performance indexes. The new revision of the CSR report is scheduled to be finished and published in June 2011. This report covers the achievements of WNC's Hsinchu Science Park based headquarters in regard to operations, ESH management and our devotion to society throughout the year 2010. It reviews and explains the issues that stakeholders are concerned with, which includes corporate governance, environmental protection, green management, supply chain management and social participation.	

5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:

Implementation Status:

During the beginning phases of CSR standards development, WNC announced its goals and primary efforts in the "Enhance Information Transparency and Strengthen Communication with Stakeholders" initiative, hence the review of CSR assets and development of CSR reports has become a primary duty of WNC. Developing WNC CSR rules and policies towards implementation will to be the next major focus at WNC.

Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons:

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
After combining all Taiwan based factories and offices into WNC's current headquarters, we not only review and adjust the allocation of resources and operational strategies, but also review the results of WNC efforts and input from resources in previous years. We find that communication channels with stakeholders will be a primary area of improvement. Based on the CSR strategy roadmap, we can see that WNC is experiencing a "regulations adaption" and "management implementation" adjustment period. In response to increasingly aggressive attitudes towards CSR and the increasing number of implementation rules, we have set our short-term, mid-term and long-term goals as shown below: ■ Short-term goals: Enhance information transparency and strengthen communication with stakeholders — CSR assets review: Review all CSR implementation results at the end of 2010. — CSR report development: Collect the review results and arrange them in the CSR report. The first version may not conform to formal regulations, but it should be modified under the guidance of " Foundation of Taiwan Industry Service" until the report follows all GRI G3 regulations. — CSR report disclosure: Publish the CSR report on the company website. Issue press releases regarding responses to environmental and social responsibilities. ■ Mid-term goal: In combination with operation strategies and core competencies, organize CSR policies and standards. Define and enforce social responsibilities and improve CSR reporting. — CSR education: Ensure that the management team and all employees have a clear understanding toward CSR regulations and know the tasks and role that WNC will take. — Implementation team organization: Set up appropriate implementation strategies and rules. Define a performance index for each item. — Confirmation and implementation: Enforce applicable rules. All employees and supervisors shall share responsibility for carrying out the rules. In particular, top managers shall recognize the importance of implementing CSR and fully enable their members to achieve CSR objectives. ■ Long-term goals: Continuous improvement of the CSR report and implementation of rules — Periodical revision of the CSR report: CSR report revisions shall be regarded as a matter of routine. A designated team shall modify the report annually according to related regulations within the designated period of time. — Improvement plan: Review the implementation result and performance index every year. Provide improvement plans and methods for the next year.		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of		

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons

implementation.）：

Through stakeholder identification, WNC collects all related CSR information in a report and publishes all the information via the following methods:

- ■ Websites
  - — Company Website
  - — Corporate Internal Portal
  - — Internet Supplier Portal
- ■ Published Documents
  - — CSR (Corporate Social Responsibility) Report
  - — Annual Reports
  - — News Release
  - — Board Meeting Announcement
  - — Gardener Relationship Improvement Committee Information
  - — Employee Welfare Committee Information

WNC Employees e-paper

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:

Management System Certifications

- ■ ISO 9001 Certification: WNC obtained the certification in 2004 and updates the system version annually to maintain and improve related operations of the quality system.
- ■ ISO/TS 16949 Certification: WNC obtained the certification in 2005 and updates the system version annually to maintain and improve related operations of the quality system.
- ■ ISO 140001:2004 Certification: WNC obtained the certification in 2005 and continues to improve related operations to have a better balance between benefits and lower environmental impacts.
- ■ OHSAS 18001:2007 Certification: WNC obtained the certification in 2008 to control health and safety risks, as well as to prevent possible accidents and maintain a safe and healthy working environment.

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
■ Accreditation Certification: WNC obtained this certification in 2009 for achieving a healthy workplace from the Bureau of Health Promotion. ■ Taiwan Training Quality System (TTQS) project: WNC obtained the qualification for this project in 2010 and was certified as an excellent company for its training system. ■ IECQ QC080000: This certification is scheduled to be implemented in 2011. The IECQ QC080000 is a hazardous substances management standard that announced by IEC(International Electrotechnical Commission) in October 2005. Its system is established based on ISO9001 and is an internationally recognized green product standard. ■ The Taiwan Occupational Safety & Health Management System (TOSHMS) is scheduled to be implemented in 2011. **Product Certifications:** To provide stakeholders with high quality products and services, all WNC products and processes meet customer requirements and conform to international communication standards and environmental protection regulations, such as FCC, WiFi, RoHS , WEEE, REACH, Battery, etc. Lead-free and halogen-free processes are also implemented. When a certification requirement is presented by a customer, WNC is capable of sending the product for the appropriate tests and obtain prompt certification.		

4. Overview of Business Operations

4.1 Business Content

I. Business Scope

1. Main Business Services

CC01060 Wired communication equipment and apparatus manufacturing

CC01070 Wireless communication devices and equipment manufacturing

CC01080 Electronic parts and components manufacturing

CC01101 Restrained telecommunication radio frequency equipment and materials manufacturing

F401010 International trade business

F401021 Restricted telecommunication radio frequency equipment and materials import business

F401030 Manufacturing and exporting business

F401041 Manufacturing and exporting business

Research, development, manufacturing and sales of products as below:

(1) Satellite communication product series

(2) Mobile and portable communication product series

(3) Import/export business of products in categories above

2. Revenue Distribution

Revenue Distribution of Products in Categories

Unit: Thousand NT$

Year / Item	2010	
	Amount	**Percentage (%)**
Satellite communication product series	12,940,744	50.04
Mobile communication product series	11,670,250	45.13
Others	1,250,123	4.83
Total	25,861,117	100.00

3. Current Main Products

A. Satellite Communication Product Series

(1) DBS (direct broadcast satellite) receiving antenna system
- (A) One-cable outdoor receiving system and derivative products
- (B) Satellite Radio receiving system
- (C) HD Radio receiving system
- (D) Automotive 3G / Wi-Fi module
- (E) Radar for automotive security

B. Wireless Communication and Broadband Network Product Series

- (A) Wireless Communication Product Series
  - a. 3G smartphone
  - b. CDMA fixed phone
  - c. 3G/4G wireless gateway
  - d. HSUPA module/data card/router
  - e. 4G module/mobile router/IAD
  - f. LDS embedded antenna for mobile devices
  - g. RFID product series
- (B) Broadband Network Product Series
  - a. Network wireless access equipment
  - b. Multi-frequency /multi-mode wireless network products
  - c. Wireless audio module/device
  - d. Wireless/security/integrated switch
  - e. Digital home networking communication terminal
  - f. IP set-top-box
  - g. Multimedia player
  - h. Coax-Ethernet adapter series

4. Planned New Product Development

A. Satellite Communication Product Series

- (A) Automotive Radar series
- (B) Multi-output outdoor receiving system product series
- (C) HD satellite receiving system product series

B. Wireless Communication and Broadband Network Product Series

(A) Wireless communication product series

4G broadband network access terminal

(B) Broadband network product series

- a. Advanced wireless router
- b. Advanced IP set-top-box
- c. In-home distribution and networking products.

II. Overview of Industry

1. Industry Development Trends and Current Market Status

After experiencing the economic storm of 2009, the consumer market has recovered the growth momentum of pre-recession levels in 2010. With the quick development of the mobile broadband market, driven by smartphones, various new products and applications have been generated, and the competition-cooperation partnerships rising among different industries and fields have changed, especially in the soaring market focused on the integration of multi-network and cloud computing network services. WNC has concentrated its attention on wireless, broadband, multimedia domains for many years. Its product orientation matches extremely well with this trend, and finally led to its great performance in 2010. In the following section we will continue to describe the current status of corresponding markets that WNC's business covers respectively.

(1) With regard to the satellite TV market, North America and Western Europe once dominated the global pay DTH (direct to home) satellite TV service market. After the economic storm, the Asia market has seen rising growth while the South African market has been developing gradually. These two emerging regions have been rated with the highest growth potential. In the North America market, total pay TV users have amounted to 100 million, and DTH subscribers have exceeded 30 million. Driven by the strategies of pursuing HD programs bundled with networking services, network operators in Europe and the U.S. have proactively introduced wide variety of new services to stimulate demand and replace out-of-date equipment. However, after the rapid growth of the past year, 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 has always maintained a steady growth rate.

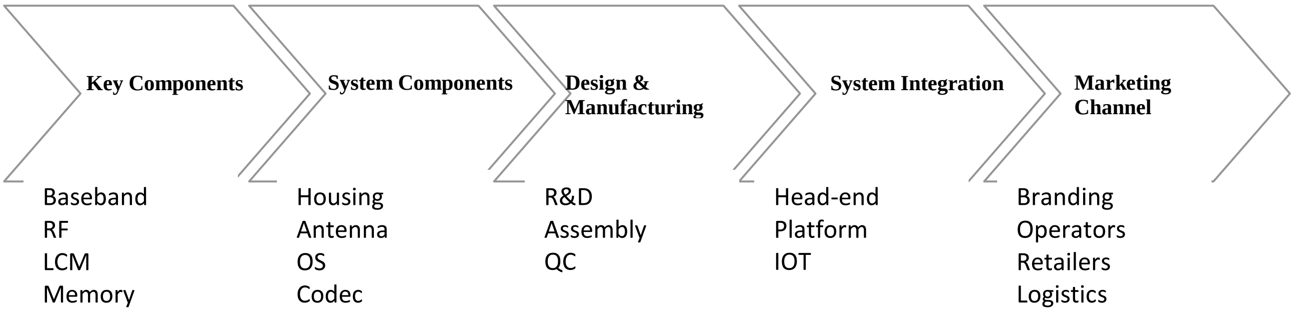
(2) In the satellite broadcast market, Sirius XM, a broadcasting company in the U.S., generated outstanding performance results in 2010. With the current rebound in auto sales, its subscribers have increased to 20 million, and its primary business revenue was acquired from the automotive before-market industry. Following trends in mobile broadband, Sirius XM has actively developed new services with IP broadcasting functions and personalized features, preparing for future developments in global markets. All of these factors have a positive and direct influence on increasing the demand for various satellite broadcasting receiving products.

(3) Regarding the mobile wireless WAN communication market, smartphones fulfilled a remarkable role in the competitive battlefield among handset brands and network operators. Under active promotion by Google, the Android platform has grown rapidly and caught great attention in the consumer market due to its rich portfolio of handsets. With the Blackberry and Windows Phone 7 coming into the light, the smartphone market has shown a great growth trend around the entire world. Global smartphone deliveries came very close to current levels in the notebook market in 2010. And in 2011, its overall shipments are expected to exceed 400 million, ranking first among mobile computing products worldwide. Moreover, announcements regarding the iPad open the door for smartphone players to jump into the PC market and create a new market field for smartphones in the post-PC era, with boundless possibilities. However, although these elaborate and fashionable mobile terminals bring users a wide variety of new applications, they also occupy more broadband resources and require urgent upgrading of current networks. For this reason, global network operators have all been proactively developing plans for replacing currently used frequency bands and speeding up the transition to 4G wireless network technology. As a whole, the growth and influence of the extremely wide mobile communications market is expected to spur further development within the wireless communications industry, and have a great impact on the future the ICT industry.

(4) 2010 saw outstanding development opportunities for the wired/wireless LAN communication market, both middle and short distances. Likewise, within the network communications industry, mobile broadband applications saw significant advancements in 2010. Original in-home wireless devices using 802.11 standards have developed to a mature stage, and these standards have generally been utilized in the personal computer industry. In recent years, rapid growth of the emerging network media market has stimulated the demand for wireless capability in consumer electronic products, finally bringing a variety of innovative business opportunities for Wi-Fi products. Smart TV, IOT (Internet of things), A/V transmission, WMAN (wireless metropolitan area network) for mobile broadband network distribution, etc. are all examples showing that, as a mature technology, Wi-Fi is expanding to more widespread applications. According to estimates from Broadcom, a leading Wi-Fi chip supplier, TVs equipped with Wi-Fi capability account for 20-25% of the world's market, and the proportion of Blu-players embedded with Wi-Fi chips was as high as 80% in 2010, These ratios are expected to continue rising in 2011. In addition, the market research firm iSuppli forecasts that the overall delivery of Wi-Fi chipset will top 740-million pieces in 2011, with this output figure exceeding 2 billion in 2014.

2. Industry Value Chain

The electronics industry has always been characterized by its long supply chain, numerous components, and complex competition-cooperation partnerships. Coinciding with the integration of a variety of product categories and diversified operational strategies, members within the industry value chain have steadily increased. As can be seen in recent trends, the boundary between specialized divisions and vertical integration is becoming blurred along with increasing product complexity.



3. Product Development Trend and Strategy Analysis

A. Digital home applications have been shaped gradually

In recent years, the competition within the in-home television service market among telecom operators, TV suppliers and Internet video/audio service providers has become increasingly intensive. Therefore, both telecom operators and home appliance manufacturers all proactively started the development of digital home related applications and services, such as the multi-room service for people who have more than one TV in their home, Internet multimedia players, Internet Blu-ray player, etc. These emerging products and services provide great digital home experiences to consumers as well as bringing energy to stimulate the whole market. In addition to the utilization of green power concepts and Internet connection of white goods, digital home products have demonstrated unprecedented diversity and possibilities. WNC has a solid communications knowledge base, a broad scope in development experiences and comprehensive product integration capability. Therefore, WNC can provide high flexibility in design and manufacturing as well as growing together with customers to enjoy and benefit from digital home trends.

B. New satellite equipment product trends

Traditionally, satellite radio products were high-powered and high-frequency broadcast receiving devices. In recent years, respective specifications have evolved at a very slow pace. However, driven by increasingly intensive competition, it arouses a variety of new product demands, including saving energy, reducing size,, lowering the installation threshold and receiving signals from multiple-satellites. In addition, satellite operators also strive for adding IP internet integration capability, providing consumers with more interactive and individual experiences instead of traditional one-way satellite services. WNC has put much effort into the satellite field, and developed other wireless and multimedia technologies as well, making a profound basis for cooperating with satellite operators. With advanced insight into marketing demands, WNC can assist satellite operators in developing lines of highly technical and sophisticated products, and provide customers with new product solutions to complex networks, bringing its years of integration experience in cross-boundary technologies into full play.

C. Diverse applications of wireless broadband mobile computing

In recent years, mobile phone chip technology, input interface and mobile broadband technology have continued to develop, and diversified application services and platforms have come to the market as well. Therefore, smartphones have won great favor among consumers and have become hot topics in the market. The Android platform, being open source, provides the key to helping all operators and branding companies enter the smartphone market and gradually establish a totally new sales mode of software oriented services. Android has also drawn attention from PC makers so that many of them have devoted themselves to the development of smart terminal devices, including smartphones, tablet PCs, smartbooks, etc. WNC has comprehensive experience in mobile handset development. From specialized capabilities in full frequency range antenna design, system integration, to user interface development, all these different aspects have received full recognition from many branding companies. WNC will strengthen its development of different platforms equipped with value-added applications, ultimately to provide innovative products for its customers.

D. Wireless Wide Area Network Techniques bring the momentum for new growth

After years of equipment testing and standards formulation of the fourth generation (4G) mobile broadband technology, LTE (long term evolution) was launched officially at the end of 2010, indicating that mobile broadband entered the next 100Mbps generation. Telecom operators and broadcasting operators are all positive on the advantages that 4G technology will bring to the market. They have started to deploy and plan for the construction of corresponding Internet networks. In February 2010, there were only 59 telecom operators with established LTE networks. In February 2011, the number quickly increased to 180. This has led to a very competitive market. WNC has unique design experience in broadband modules and high-power techniques. Moreover, WNC has enabled a new generation of OFDM (orthogonal frequency division multiplexing) technology into their mobile broadband applications. Hence, WNC is very confident in its ability to give comprehensive assistance to its customers in the designing of high quality wireless broadband access equipment as well as enhanced levels of service.

III. Technology Research and Development

1. Research & development expenditure during the last fiscal year and the current fiscal year up to the day this annual report goes to press.

Unit: Thousand NT$

Year	2010	Up to Mar. 31, 2011
Research & development expenditure	1,177,885	323,850
Percentage of total revenue	4.55%	4.41%

2. Successfully developed technologies or products

A. Satellite communication product series

Year	Technology or Product
2010	1. Single-Satellite one-cable multi-output LNBF 2. Multi-Satellite one-cable multi-output LNBF 3. Compact size LNBF 4. Automotive 3G/Wi-Fi module 5. Radar for automotive security

B. Wireless communication and broadband network product series

Year	Technology or Product
2010	1. 3G smartphone 2. 4G module/mobile router/IAD 3. Coax-Ethernet adapter series 4. 802.11 a/b/g/n 3x3 dual-band wireless communication products 5. Wireless audio module/device 6. Power line communication 7. LDS embedded antenna for mobile devices 8. RFID antenna/reader/writer

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

1. Short-Term Business Development Plans

(1) Marketing Strategy

Focused on technology oriented ODM services, WNC prepares 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 as well, aiming at establishing integrated marketing channels.

(2) Operations Management

A. Sustained technology development

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

B. Improving production capacity and manufacturing capability

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

(3) Finance policy

Take measures to strengthen financial management of the company and enhance risk management.

2. Long-term business development plan

(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 System

Establish complete management measures and effectively implement internal control systems. Confirm that all areas of operations achieve their goals with efficiency and favorable outcomes. Release reliable financial reports and comply with corresponding laws and regulations. By taking all these actions, WNC aims to maintain profit levels, meet performance standards and asset security of the company are all ensured.

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 the manufacturing costs and improve overall competency as well as obtain reasonable growth of both business scale and business profits.

(3) Finance Policy

A. Attaching importance to professional skills and high standards of moral and ethical behavior.

Employ professional financial managers to take full charge of finance related matters. In addition to emphasizing professional skills, WNC has strict requirements regarding the morality and ethics of financial employees to ensure stable, reliable, honest and secure corporate financial reporting, investments, and planning.

B. With the growth of corporation business activities, WNC plans to enhance asset and liability management, 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		2009 Amount	2009 Percentage of revenue	2010 Amount	2010 Percentage of revenue
Export Sales	Americas	8,107,006	61%	13,808,675	54%
	Asia	2,791,496	21%	7,582,559	29%
	Europe	1,460,863	11%	1,607,309	6%
	Others	116,317	1%	183,503	1%
	Total	12,475,682	94%	23,182,046	90%
Domestic Sales		795,125	6%	2,679,071	10%

2. Market share

WNC has always maintained a leading role 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. WNC understands trends in international technologies among leading competitors. It has developed the high-frequency Ka-band ODU (out-door unit) and one-cable LNB for receiving signals from multiple satellites. Although facing the challenge of competitive pricing, WNC still delivers remarkable performance in the marketplace and maintains the steady growth rate with its profound technology base.

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

3. Supply and demand development in future market

(1) Satellite communication product series

In recent years, high-definition satellite TV services have been proactively promoted in both mature satellite TV markets in both the U.S. and Europe, as well as emerging market in Asia and Eastern Europe. DirecTV, a U.S. company, also emphasizes its portfolio of more than 100 HD programs. Upgrading of services stimulates the demand for HD receiving equipment while replacing out-of-date receiving devices. In addition, many countries have started to retrieve the bands originally utilized by analog TV. These actions encourage former users to turn to new services provided, ultimately bringing benefits to satellite markets. The rapid growth of the Asian and Eastern Europe markets, together with strong demand for high-quality satellite receiving equipment at a low price, both suggest that the entire DTH market will develop in a virtuous cycle in the near future.

(2) Wireless communication and broadband network product series

The upgrading of successive versions of the iPhone has improved user recognition of smartphones, and has finally led to a notable growth of the entire smartphone market in 2009. In addition, the Android platform has gradually developed to a mature stage, and the sales of "soft" services such as software applications as well as video and audio products have increasingly enhanced. The costs associated with mobile broadband have been decreasing. LBS application services have been expanding all around the world. For all these reasons, the smartphone market is expected to maintain a high growth momentum in the coming years and contribute greatly to profits and opportunities for handset makers. According to statistics from the market research institute Digitimes, smartphone deliveries exceeded 280 million in 2010, and output is estimated to reach 440 million in 2011 with a growth rate of over 50%.

Moreover, a variety of network application types have demonstrated well the concept of the digital home. From STB, NAS, IP Radio, IAD (integrated access device), to traditional home appliances, all devices have started to add Internet connectivity and functionality. The boundary lines among consumer electronic products are increasingly blurred, while the trend for sharing and integrating platforms has become more obvious. For telecom operators, the key to entering the digital home market lies in how to plan marketing and sales strategy for the 4 screens (television, computer, cellular phone and tablet PC), and ultimately guide users in the new era of IP network applications.

4. Competitive Advantages

(1) Working with WNC: Competitive Advantages of WNC

A. Professional management team

The management team at WNC has accumulated abundant technologies and many years of experiences. All members of the management team are capable of grasping key product technologies and enjoy a high-level of independent development while fully understanding every change in the entire market. With their guidance, the right niche products are quickly promoted to the market with integrated communication technologies. The management team at WNC helps the company maintain a leading position in the industry with sustained competitive advantages.

B. Comprehensive wireless communication product lines as well as timely and flexible product integration technologies

Focused on all related products in Broadband, Multimedia and Wireless domains with its full range of wireless communications technologies, WNC has abundant experience in the fields of microwave communications, digital wireless communications, antenna design, software engineering, multimedia integration development, etc, with a total mastery of the technologies utilized within the communication industry. Moreover, they fully understand trends in communication markets, while always improving integration capabilities of communication technologies. WNC also proactively satisfy the direct to market demands of customized products while speeding up the time-to-market schedule of new products and ultimately winning the recognition of international companies.

C. Overall technical support and after-sales services

In addition to obtaining full ISO certification, WNC is qualified with TL16949 certification for automotive quality control management. This firmly demonstrates the importance that WNC attaches to product quality and the high degree of customer satisfaction WNC strives to achieve. Likewise, it pays special attention to establishing a complete customer advisory system and after-sales service system, keeping long-term partnerships with customers.

D. Industry leading development technologies

In regard to satellite communication products, WNC has professional working teams devoted to antenna, microwave, software and drivers development, with technical capabilities in designing and manufacturing various satellite communication products. With respect to human resources for research and development, WNC employs professional employees with proven experience in microwave communications. In addition to satellite antenna labs, WNC has established advanced measurement labs, which help provide related experimental product data within very short periods of time. And finally, regarding wireless communication products, WNC also has a large number of talented software specialists with full independent design and development capabilities.

E. Complete product line development, with advantages from economies of scale

WNC develops satellite communication products, mobile communication products, WLAN products at present. With the expansion of application fields, the corresponding markets of current products have kept the growth momentum. The revenues from all product lines have benefited from the advantages of economies of scale. Through the cost control mechanism, WNC enhances its capabilities of making profits.

5. Advantages and disadvantages for future development and countermeasures

(1) Advantages:

A. The digital broadcasting industry is growing.

After entering the digital age, digital communications have become fast and flexible, and various digital video/audio services have been booming. For instance, the iPod announced by Apple Computer Inc. has aroused a fashion storm of digital music, and subscribers of the primary satellite radio service provider in the U.S., which equals the users of the entire America market, is seeing steady growth. In addition, the newly merged satellite radio company, Sirius XM, has proactively penetrated its services in different kinds of communication media, 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 types of services due to competition among pay-TV platforms and penetration of Internet applications. For example, many pay-TV service operators in the U.S. have announced new functions such as multi-room watching, smart phone applications integration, etc. Likewise, emerging markets have developed analog to digital transmissions quickly driven by government policy. For example, with quickly establishment of DTH platform satellite service, emerging markets such as India and Latin America have all 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 has arrived.

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

C. A trend in highly integrated Mobile Internet Products has been forming.

In the trend towards the integration of wired and wireless broadband networks, and in order to meet the user demand for wireless and mobile services with great convenience, new services are generated. For instance, besides mobile broadband service, Triple-play service, which can offer applications such as voice, video and data through IP networks, is undergoing rapid development based on wired broadband. All of these services will stimulate a new round of upgrading of fundamental networks and terminal devices.

(2) Disadvantages

A. A shortage of domestic software talent has appeared.

Having focused on providing production and manufacturing services with high-efficiency in the past, Taiwan has a strong foundation in hardware related technologies and logistic systems. However, with the rise of the Internet network era and rapid development of emerging network applications, the missing of controls in the software industry reveals disadvantages in the competition between domestic companies and foreign branding companies.

Countermeasures:

The integration of platforms and services is expected to have excellent growth potential in the market. In addition, the boundary among countries has no effect on its development since the global village we are living in is connected by high-speed Internet networks. Companies in Taiwan can seek opportunities to acquire more external software development resources during the economic recession of western countries, and gradually enhance software development capabilities regarding consumer electronic products.

B. The cost of operations has increased.

International oil prices have continued to rise. The cost of raw materials has increased sharply, while the cost of human resources in mainland China has been enhanced due to the local regulations. All of these factors have put great pressures on the entire manufacturing industry regarding the cost of materials and manufacturing. On the financial side, the U.S. sub-prime mortgage storm and the European credit crisis that occurred successively in 2009 have wide-ranging effects on the global economy and industrial operations. Although gradual recovery has been seen in 2010, there are still a numbers of potential risks and uncertainties, which may or may not have a direct or indirect influence on the operations and profit-earning capabilities of the company.

Countermeasures:

Maintain flexible marketing strategies with fast 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 cost.

C. Changes in exchange rates have influence on the profits of the company.

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

Countermeasures:

The Financial department must focus on changes in exchange rates and the demand for capital all the times, and take the necessary preventive measures to avoid any risks from occurring.

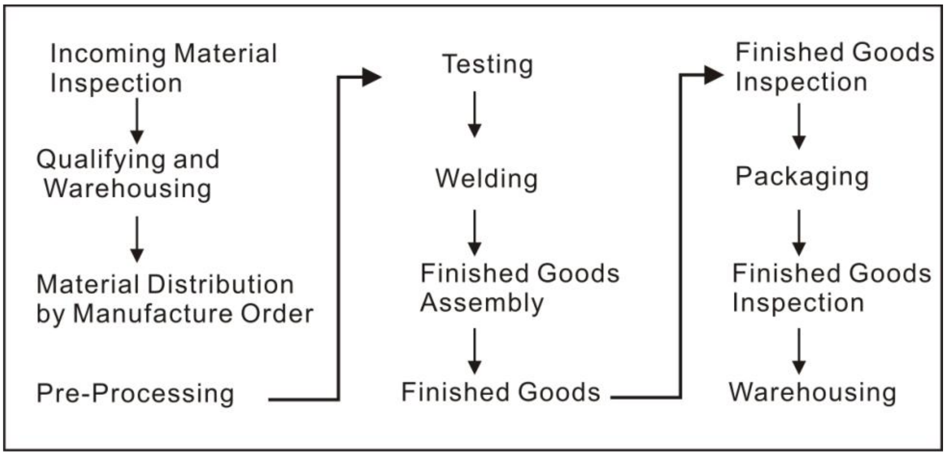
II. Primary Applications of Major Products and the Production Process

1. Primary Applications

	Satellite Communication Product Series	**Wireless Communication and Broadband Network Product Series**
Functions and Features of Products	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide every type of wireless communication service without geographical limits. Satellite communication provides high quality and large capacity. It utilizes microwave bands and re-uses other frequency resources. Available band widths can reach several gigabits, and	<u>WLAN Networks:</u> GSM protocol for WAN wireless communication formulated by the CEPT（confederation of European posts and telecommunications）in 1982, has now been widely accepted by the global telecom market, and has gradually moved forward to advanced standards with higher bandwidths, wider coverage and low power consumption. It has evolved from the standards of 2G, 2.5G, which focused on voice communication, to the HSPA protocol that focuses on material services. Moreover, the latest 3.9G standards, including WiMAX and LTE, which utilize OFDM technologies, is planned for steady development from 2008 to 2010. <u>Broadband Networks:</u>

	Satellite Communication Product Series	Wireless Communication and Broadband Network Product Series
	its throughput is far greater than ordinary communication technologies.	To enable interoperability between different WLAN solutions and make a unified standard for the communications between wireless and wired transmission, IEEE (institute of electrical and electronics engineers) has defined the 802.11 standards for wireless LAN. As for wireless communications within middle and long distances of 30 to 300 feet, any devices complying with 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with 802.11 standards.
Main Applications	They 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.	WLAN Networks: The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of 3G and 4G high bandwidth technologies above, the future market of mobile broadband is expected to develop at a rapid pace. In addition, this may form a new industry structure and arouse competition among highly integrated terminal devices, and finally bring a revolutionary change the entire telecom industry. Broadband Networks: The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access the network based on 802.11 standards. 802.11 standards support long transmission distance and high transmission rates. At present, products conforming to 802.11a and 802.11g have the highest transmission rate at 54Mbps and a coverage scope of from 30 to 300 feet. Therefore, WLAN products are usually applied to vast land areas where wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For instance, in-home, public areas, and enterprise applications may be applied to home, enterprise, logistics, medical care, etc. Nowadays, WLAN applications are integrated with multimedia functions and have become a trend in wireless digital home network market.

2. Production Process



III. The Supply / Demand Status of Main Raw Materials and Components

The primary raw materials and components at WNC include Integrated Circuits, storage devices, LCDs, filters, chipsets, connection cables and connectors, mechanical components, dish antennas, printed circuit boards, etc. WNC lists at least two and sometimes more suppliers for each type of raw material or component, and maintains a stable and favorable relationship with qualified vendors.

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

IV. Key Accounts in the Past Two Years

1. Key Buyers

Unit: Thousand NT$

	2009				2010			
	From	**Amount**	**Percentage of total net purchase (%)**	**Relationship with Wistron NeWeb**	**From**	**Amount**	**Percentage of total net purchase (%)**	**Relationship with Wistron NeWeb**
1	NUSA	4,556,690	34.34	Subsidiary of the Company	NUSA	9,342,842	36.13	Subsidiary of the Company
2	Other	8,714,117	65.66		Other	16,518,275	63.87	
	Total	13,270,807	100.00		Total	25,861,117	100.00	

The primary causes of variations are the global economic recovery and increases in consumer demand.

2. Key Suppliers

Unit: Thousand NT$

	2009				2010			
	From	**Amount**	**Percentage of total net purchase (%)**	**Relationship with Wistron NeWeb**	**From**	**Amount**	**Percentage of total net purchase (%)**	**Relationship with Wistron NeWeb**
1	NQJ	5,230,633	48.05	Subsidiary of the Company	NQJ	15,105,274	63.04	Subsidiary of the Company
2	Other	5,656,021	51.95	None	Other	8,856,159	36.96	None
	Total	10,886,654	100.00		Total	23,961,433	100.00	

V. Production Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2009			2010		
	Capacity	**Quantity**	**Value**	**Capacity**	**Quantity**	**Value**
Satellite Communications	3,000,000	2,499,910	1,871,669	4,500,000	3,936,567	2,541,907
Mobile Communications	1,300,000	1,263,816	1,338,253	9,000,000	8,438,828	1,700,516
Other	0	0	0	0	0	0
Total	4,300,000	3,763,726	3,209,922	13,500,000	12,375,395	4,242,423

VI. The Sales Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Sales Value / Major Product	2009				2010			
	Domestic		**Export**		**Domestic**		**Export**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Satellite	12,193	1,840	18,142,837	7,979,103	456,816	171,918	32,614,141	12,768,826
Mobile	852,911	598,790	13,640,217	3,578,292	16,527,319	1,525,363	23,854,975	10,144,887
Other	0	203,495	0	918,287	0	981,790	0	268,333
Total	865,104	795,125	31,783,054	12,475,682	16,984,1354	2,679,071	56,469,116	23,182,046

4.3 Taiwan Employee Data during the Past Two Years

Year		2009	2010
Employee Number	Sales	122	147
	R&D	412	490
	Manufacturing	213	238
	Administration	203	226
	Direct Labor	547	533
	Total	1,497	1,634
Average Age		32.82	34.25
Average Seniority		4.13	4.3

4.4 Environmental Protection Measures

1. WNC's business belongs to a technology-intensive industry of research and development. Since manufacturing processes only includes SMT (surface mount technology), precision assembly, environmental testing, etc, it is relatively difficult to generate waste gases, waste water, undesirable noise, toxic substances or other pollutants. As for disposing of waste material, WNC invites only professional officers recognized by the EPA (Environmental Protection Administration), and makes related declarations online as required to ensure that there is no contamination to the environment. Inspections of water, air and wastes are also performed by certified inspection agencies. WNC implements all applicable pollution prevention tasks in a positive cycle under its well-prepared management system and regularly inspects the waste treatment plant to ensure proper operation. To date, WNC has achieved ISO 140001 environment management system certification, and has steadily moved forward to more effective environmental protection management.

2. Total losses and fines for environmental pollution for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report: The Company does not have any environmental pollution issues. Therefore, there were no fines nor damage losses occurred.

3. Explanation of the measures and possible disbursements to be made in the future: the corrective measures of possible disbursements is NT$ 1,608,032.

5. Financial Standing

5.1 Most Recent 5-Year Concise Financial Information

5.1.1 Most Recent 5-Year Balance Sheet

Unit: Thousand NT$

Item \ Period		Most recent 5-Year Financial Information				
		2006	2007	2008	2009	2010
Current assets		9,123,398	8,848,452	7,929,401	7,201,142	10,155,058
Fund and Long-term equity investments		737,467	997,245	1,357,992	1,905,875	2,890,746
Net property, plant and equipment		844,617	723,772	958,430	1,617,820	2,006,356
Intangible assets		79,487	91,680	40,825	27,541	36,874
Other assets		210,268	384,763	204,125	196,385	226,348
Total assets		10,995,237	11,045,912	10,490,773	10,948,763	15,315,382
Current Liabilities	Before Distribution	5,723,465	5,194,132	4,509,288	4,251,420	7,044,237
	After Distribution	6,263,595	5,635,109	4,741,003	4,698,067	
Other liabilities		0	0	13,448	68,409	146,067
Total Liabilities	Before Distribution	5,723,465	5,194,132	4,522,736	4,319,829	7,190,304
	After Distribution	6,263,595	5,635,109	4,754,451	4,766,476	
Common stock		1,624,415	2,014,811	2,367,151	2,521,711	2,682,640
Capital surplus		1,422,068	1,426,106	1,426,106	1,491,320	1,727,300
Retained Earnings	Before Distribution	2,214,462	2,352,801	2,281,129	2,755,180	3,733,448
	After Distribution	1,285,805	1,559,484	1,933,557	2,184,464	
Unrealized gain (loss) of financial instruments		10,335	27,280	11,789	12,614	2,347
Translation adjustments and other equity adjustment		492	30,782	95,883	62,130	(73,352)
Stockholders' Equity	Before Distribution	5,271,772	5,851,780	5,968,037	6,628,934	8,125,078
	After Distribution	4,731,642	5,410,803	5,736,322	6,182,287	

5.1.2 Most Recent 5-Year Concise Income Statement

Unit: Thousand NT$

Period / Item	Most Recent 5-Year Financial Information				
	2006	2007	2008	2009	2010
Operating revenue	18,679,586	16,576,628	17,628,377	13,270,807	25,861,117
Gross profit	3,088,817	2,541,276	2,737,333	2,360,697	3,599,900
Operating income	1,333,081	1,146,447	871,724	697,955	1,276,249
Non operating income	47,112	122,425	155,996	388,080	784,591
Non operating expense	125,035	90,027	102,534	15,631	148,514
Income from continuing operations before income taxes	1,255,158	1,178,845	925,186	1,070,404	1,912,326
Net income for continuing operations	1,185,004	1,066,996	721,645	821,623	1,548,984
Net income	1,185,004	1,066,996	721,645	821,623	1,548,984
EPS	7.36	5.30	3.11	3.35	5.92

5.1.3 CPAs and Their Opinions for Most Recent 5-Year

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
2006	KPMG	Sing-Hai, Wei, Chia-Hsin Chang	Unreserved
2007	KPMG	Sing-Hai, Wei, Chia-Hsin Chang	Unreserved
2008	KPMG	Mei-Yu, Tseng, Chia-Hsin Chang	Unqualified opinion with an explanatory paragraph
2009	KPMG	Mei-Yu, Tseng, Chia-Hsin Chang	Unreserved
2010	KPMG	Mei-Yu, Tseng, Chia-Hsin Chang	Unreserved

5.2 Most Recent 5-Year Financial Analysis

Item			2006	2007	2008	2009	2010
Financial ratio (%)	Total liabilities to total assets		52.05	47.02	43.11	39.45	46.95
Financial ratio (%)	Long-term debts to fixed assets		624.16	808.51	624.09	413.97	412.25
Ability to payoff debt (%)	Current ratio		159.40	170.35	175.85	169.38	144.16
Ability to payoff debt (%)	Quick Ratio		141.28	151.53	159.08	153.93	129.1
Ability to payoff debt (%)	Interest protection		34.58	16.62	14.40	79.56	139.63
Ability to operate	A/R turnover (times)		4.43	3.26	4.20	3.84	5.7
Ability to operate	A/R turnover days		82	112	87	95	64
Ability to operate	Inventory turnover (times)		13.98	14.19	17.43	16.36	27.1
Ability to operate	Account payable turnover (times)		3.69	4.31	6.03	5.58	7.87
Ability to operate	Days sales outstanding		26	26	21	22	13
Ability to operate	Fixed assets turnover (times)		22.12	22.90	18.39	8.20	12.89
Ability to operate	Total assets turnover (times)		1.70	1.50.	1.68	1.21	1.69
Earning ability	Return on assets (%)		13.48	10.30	7.18	7.76	11.88
Earning ability	Return on equity(%)		24.85	19.18	12.21	13.04	21
Earning ability	To pay-in capital %	Operating income	82.07	56.90	36.83	27.68	46.66
Earning ability	To pay-in capital %	PBT	77.27	58.51	39.08	42.45	69.91
Earning ability	Net income ratio(%)		6.34	6.00	4.09	6.19	5.99
Earning ability	EPS(NTD)		7.36	5.30	3.11	3.35	5.92
Cash flow (%)	Cash flow ratio		13.67	23.86	36.29	31.93	7.62
Cash flow (%)	Cash flow adequacy ratio		87.81	105.67	145.77	170.25	117.02
Cash flow (%)	Cash reinvestment ratio		9.42	11.05	17.53	14.42	0.95
Leverage	Operating leverage		1.30	1.32	1.51	1.14	1.29
Leverage	Financial leverage		1.03	1.07	1.09	1.02	1.01

5.3 Supervisor's Review Report

The Board of Directors has prepared the Company’s 2010 Financial Statements, including Balance Sheet, Statements of Income, Statements of Changes in Stockholders’ Equity and Minority Interest and Statements of Cash Flows. The CPA firm of KPMG was retained to audit Wistron NeWeb Corporation’s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report which was issued according to the Article 228 of the Company Act, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron NeWeb Corporation. According to Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation

Supervisor: WiseCap Ltd   Legal Representative: Henry Lin (Jin-Tsai Lin)

Supervisor: Philip Peng (Chin-Bing Peng)

April 20, 2011

5.4 Financial Reports

<u>Independent Auditors' Report</u>

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, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above accurately represents, in all material respects, the financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting standards generally accepted in the Republic of China.

February 21, 2011

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

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

Wistron NeWeb Corporation

Consolidated Balance Sheets

December 31, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

Assets	2010 Amount	%	2009 Amount	%
Current assets:				
Cash (note 4(a))	$ 3,975,092	22	2,646,626	20
Available-for-sale financial assets－current (note 4(b))	320,223	2	1,442,305	11
Notes and accounts receivable, net (note 4(c))	5,431,840	30	3,057,044	23
Receivables from related parties (note 5)	154,828	1	144,253	1
Other financial assets－current (note 4(m))	15,787	-	26,574	-
Inventories, net (note 4(d))	3,073,517	17	1,789,457	14
Other current assets	198,147	1	82,432	-
Net deferred income tax－current (note 4(l))	109,473	-	134,983	1
Total current assets	13,278,907	73	9,323,674	70
Funds and investments (note 4(e))				
Long-term investments under equity method	94,805	1	75,515	1
Financial assets carried at cost－non-current	79,932	-	48,482	-
Other financial assets－non-current	6,672	-	2,214	-
Total funds and investments	181,409	1	126,211	1
Property, plant and equipment (note 5):				
Buildings	2,997,928	16	1,603,886	12
Machinery and equipment	2,747,744	15	1,938,855	15
Research and development equipment	386,700	2	321,878	2
Other equipment	343,575	2	233,226	1
	6,475,947	35	4,097,845	30
Less: accumulated depreciation	2,291,489	12	1,905,877	13
Construction in progress and prepayments for equipment	93,419	-	1,204,923	9
Net property, plant and equipment	4,277,877	23	3,396,891	26
Intangible assets (note 4(f))	112,651	1	101,507	1
Other assets (notes 4(c), 4(g) and 4(h)):				
Deferred charges	322,485	2	247,237	2
Prepaid pension assets	27,942	-	24,752	-
Total other assets	350,427	2	271,989	2
Total assets	**$ 18,201,271**	**100**	**13,220,272**	**100**

Liabilities and Stockholders' Equity	2010 Amount	%	2009 Amount	%
Current liabilities:				
Short-term loans (note 4(i))	$ 3,286,204	18	2,739,733	21
Notes and accounts payable	4,926,462	27	2,638,511	20
Payables to related parties (note 5)	75,432	-	60,608	1
Accrued expenses	338,346	2	411,325	3
Salary and wages payable	795,962	4	525,005	4
Other current liabilities	507,720	3	147,747	1
Total current liabilities	9,930,126	54	6,522,929	50
Net deferred income tax liability－non-current (note 4(l))	146,067	1	68,409	-
Total liabilities	10,076,193	55	6,591,338	50
Stockholders' equity (note 4(j)):				
Common stock	2,682,640	15	2,521,711	19
Advance receipts for common stock	52,695	-	-	-
Capital surplus	1,727,300	9	1,491,320	11
Retained earnings:				
Legal reserve	667,052	4	584,890	5
Unappropriated earnings	3,066,396	17	2,170,290	17
Total retained earnings	3,733,448	21	2,755,180	22
Other stockholders' equity:				
Cumulative translation adjustments	(73,352)	-	62,130	-
Unrealized gains on financial assets	2,347	-	12,614	-
Total other stockholders' equity	(71,005)	-	74,744	-
Treasury stock	-	-	(214,021)	(2)
Total stockholders' equity	8,125,078	45	6,628,934	50
Commitments and contingencies (note 7)				
Total liabilities and stockholders' equity	**$ 18,201,271**	**100**	**13,220,272**	**100**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation

Consolidated Statements of Income

For the years ended December 31, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

		2010		2009	
		Amount	**%**	**Amount**	**%**
Sales (note 5)	$	27,312,635	100	15,817,670	99
Less: Sales returns and allowances		146,305	1	100,111	-
Net sales		27,166,330	99	15,717,559	99
Service income		172,057	1	185,959	1
Total sales and service income		27,338,387	100	15,903,518	100
Cost of goods sold (notes 4(d), 4(f), 5 and 8)		22,599,466	83	12,831,311	81
Gross profit		4,738,921	17	3,072,207	19
Operating expenses (notes 4(f), 5 and 8):					
Selling		1,094,640	4	719,606	4
General and administrative		443,790	1	334,489	2
Research and development		1,240,266	5	954,678	6
Total operating expenses		2,778,696	10	2,008,773	12
Operating income		1,960,225	7	1,063,434	7
Non-operating income and gains:					
Interest revenue		15,553	-	9,342	-
Investment gain recognized by equity method, net (note 4(e))		24,857	-	8,111	-
Gain on disposal of investment		13,467	-	3,221	-
Foreign exchange gain, net		-	-	22,270	-
Other income (note 4(m))		134,422	-	36,175	-
Total non-operating income and gains		188,299	-	79,119	-
Non-operating expenses and losses:					
Interest expense		53,592	-	62,686	-
Foreign exchange loss, net		88,740	-	-	-
Other loss		7,227	-	2,517	-
Total non-operating expenses and losses		149,559	-	65,203	-
Income before income tax		1,998,965	7	1,077,350	7
Income tax expense (note 4(l))		449,981	1	255,727	2
Net income	$	1,548,984	6	821,623	5

		2010		2009	
		Income before income tax	**Net income**	**Income before income tax**	**Net income**
Earnings per share (note 4(k)) (New Taiwan dollars):					
Basic earnings per share－retroactively adjusted	$	7.31	5.92	4.15	3.19
Diluted earnings per share－retroactively adjusted	$	7.04	5.70	4.07	3.12

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars

	Common stock	Advance receipts for common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Cumulative translation adjustments	Unrealized gains on financial assets	Treasury stock	Total
Balance as of January 1, 2009	$ 2,367,151	-	1,426,106	512,725	1,768,404	95,883	11,789	(214,021)	5,968,037
Appropriation of earnings (note 1):									
Legal reserve	-	-	-	72,165	(72,165)	-	-	-	-
Cash dividends	-	-	-	-	(231,715)	-	-	-	(231,715)
Stock dividends	115,857	-	-	-	(115,857)	-	-	-	-
Employees' bonuses－stock	38,703		65,214	-	-	-	-	-	103,917
Unrealized gains on financial assets	-	-	-	-	-	-	825	-	825
Net income for 2009	-	-	-	-	821,623	-	-	-	821,623
Cumulative translation adjustment	-	-	-	-	-	(33,753)	-	-	(33,753)
Balance as of December 31, 2009	2,521,711		1,491,320	584,890	2,170,290	62,130	12,614	(214,021)	6,628,934
Appropriation of earnings (note 2):									
Legal reserve	-	-	-	82,162	(82,162)	-	-	-	-
Cash dividends	-	-	-		(446,647)	-	-	-	(446,647)
Stock dividends	124,069	-	-		(124,069)	-	-	-	-
Exercising of employee stock options for common stock	36,860	52,695	135,526		-	-	-	-	225,081
Treasury stock sold to employees	-	-	100,454		-	-	-	214,021	314,475
Unrealized losses on financial assets	-	-	-	-	-	-	(10,267)	-	(10,267)
Net income for 2010	-	-	-	-	1,548,984	-	-	-	1,548,984
Cumulative translation adjustment	-	-	-	-	-	(135,482)	-	-	(135,482)
Balance as of December 31, 2010	**$ 2,682,640**	**52,695**	**1,727,300**	**667,052**	**3,066,396**	**(73,352)**	**2,347**	**-**	**8,125,078**

Note 1: Remuneration to directors and supervisors and employees' bonuses in the amount of $6,495 and $129,896, respectively, had been charged against earnings of 2008.
Note 2: Remuneration to directors and supervisors and employees' bonuses in the amount of $7,395 and $147,891, respectively, had been charged against earnings of 2009.

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

	2010	2009
Cash flows from operating activities:		
Net income	$ 1,548,984	821,623
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	541,470	445,654
Amortization	114,899	99,910
Provision for allowance for doubtful accounts and sales returns and allowances	159,230	10,427
Provision for inventory obsolescence and devaluation loss	155,345	105,036
Investment gain recognized by equity method, net	(24,857)	(8,111)
Gain on disposal of investment	(13,467)	(3,221)
Compensation cost	140,000	-
Deferred income tax expense	130,918	108,644
Adjustment for other non-cash-related losses, net	23,480	10,266
Change in operating assets and liabilities:		
Notes receivable	(6,682)	(6,863)
Accounts receivable	(2,527,344)	300,791
Receivable from related parties	(10,575)	(9,469)
Inventories	(1,439,405)	377,755
Prepaid pension assets	(3,190)	(3,681)
Other current assets	(104,928)	12,669
Notes and accounts payable	2,287,951	(503,794)
Payables to related parties	14,824	21,726
Accrued expenses and other current liabilities	557,951	79,605
Net cash provided by operating activities	1,544,604	1,858,967
Cash flows from investing activities:		
Purchase of available-for-sale financial assets－current	(1,312,160)	(2,158,500)
Proceeds from disposal of available-for-sale financial assets－current	2,437,442	1,674,557
Purchase of financial assets carried at cost－non-current	(31,450)	(48,482)
Increase in long-term investments under equity method	-	(27,762)
Acquisition of property, plant and equipment	(1,594,184)	(1,023,080)
Proceeds from disposal of property, plant and equipment	933	14,398
Increase in deferred charges	(103,113)	(9,816)
Increase in intangible assets	(65,038)	(36,829)
Decrease (increase) in other financial assets－non-current	(4,458)	712
Net cash used in investing activities	(672,028)	(1,614,802)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	546,471	(63,787)
Payment of cash dividends	(446,647)	(231,715)
Proceeds from exercise of employee stock options	225,081	-
Proceeds from treasury stock sold to employees	174,475	-
Net cash provided by (used in) financing activities	499,380	(295,502)
Effect of exchange rate changes	(43,490)	5,455
Net increase (decrease) in cash	1,328,466	(45,882)
Cash at beginning of year	2,646,626	2,692,508
Cash at end of year	**$ 3,975,092**	**2,646,626**
Supplemental disclosure of cash flow information:		
Interest paid	**$ 50,878**	**72,871**
Income tax paid	**$ 171,410**	**242,994**

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

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

(1) Organization

Wistron NeWeb Corporation (the Company) was founded in Hsinchu, Republic of China (ROC), on December 7, 1996. The Company is engaged in the research, development, production, and sale of wired communication equipment, wireless communication networking equipment, electronic components, regulated telecommunication radio frequency equipment, satellite communication systems, and mobile and portable communication equipment. The Company's common shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

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

As of December 31, 2010 and 2009, the Consolidated Companies had 8,238 and 5,775 employees, respectively.

(2) Summary of Significant Accounting Policies

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

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

(a) The consolidated subsidiaries are summarized as follows:

Name of Subsidiary	Name of Investor	Business	Percentage of the ownership at December 31, 2010	2009
ANC Holding Corp. (ANCH)	the Company	Sales of wireless communication and electronic components products	100%	100%

(Continued)

Name of Subsidiary	Name of Investor	Business	Percentage of the ownership at December 31, 2010	2009
NeWeb Holding Corp. (NEWH)	the Company	Holding company	100%	100%
WNC Holding Corp. (WNCH)	the Company	Holding company	100%	100%
W-NeWeb Corp. (NUSA)	the Company	Sales of satellite communication and portable communication products	100%	100%
WNC (Kunshan) Corp. (NQJ)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
Webcom Communication (Kunshan) Co., Ltd. (NYC)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
Wistron NeWeb (Kunshan) Corp. (NQX)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NeWeb Service (Kunshan) Corp. (NQC)	NEWH	Services for satellite communication and portable communication products	100%	100%

(b) Consolidation policies

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

(Continued)

(c) Use of estimates

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

(d) Foreign currency transactions and translation

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

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

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

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

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

(Continued)

(f) Asset impairment

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

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

(g) Financial instruments

The purchase or sale of the Consolidated Companies' financial assets is recognized using trade-date accounting. After initial recognition, the financial instruments of the Consolidated Companies are reported at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the originally recognized amount.

The details of the Consolidated Companies' financial assets are as follows:

1. Financial assets at fair value through profit or loss

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

2. Available-for-sale financial assets

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

(Continued)

3. Financial assets carried at cost

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

(h) Allowance for doubtful receivable

The allowance for doubtful receivable is based on the age, credit quality, and results of the Consolidated Companies' evaluation of the collectibility of the outstanding balance of notes and accounts receivable.

(i) Inventories

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

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

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

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

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

If an investee company issues new shares and the Consolidated Companies do not subscribe the new shares in proportion to their original ownership percentage, the Consolidated Companies'

(Continued)

equity in the investee's net assets might be changed. The resulting change in the equity interest shall be recorded as adjustment to capital surplus and long-term investments.

(k) Property, plant and equipment, and depreciation

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

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

The useful lives of the main property are as follows:

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

(l) Intangible assets

Land use rights are included in intangible assets and amortized over the contract term or estimated useful lives which are lower.

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

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

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

(Continued)

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

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

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

(m) Deferred charges

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

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

(n) Employee retirement plan

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

Under the defined benefit retirement plan, the Company complies with SFAS No. 18 "Accounting for Pensions" and carries out an actuarial calculation of its pension obligation as of each fiscal year-end. Based on the actuarial calculation, the Company recognizes a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, net obligation at transition, prior service cost, and pension gains or losses, on a straight-line basis. In accordance with the requirement of the ROC

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Labor Standards Law, the Company has contributed monthly payments of 2% of salaries and wages to a pension fund maintained with Bank of Taiwan.

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

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

(o) Treasury stock

The Company adopted SFAS No. 30 "Accounting for Treasury Stock". In accordance with SFAS No. 30, treasury stock is accounted for at acquisition cost. Upon disposal of the treasury stock, the sale proceeds in excess of cost are accounted for as capital surplus－treasury stock. If the sale proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus －treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings.

The Company transfers treasury stock to employees after January 1, 2008, using the Black-Scholes option pricing model to recognize the compensation cost. Any compensation cost should be charged to expense over the employee vesting period. The grant date is determined based on the date at which the price and the number of shares of the treasury stock are certain. If the transfer prices and shares need a resolution of the directors, then the resolution date is the grant date.

(p) Share-based payment

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

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

(q) Revenue recognition

Sales are recognized as soon as the inventories are delivered and the related risk is transferred to the customers. Service income from providing design, process and maintenance service is

(Continued)

recognized when the service is rendered. Allowance and related provisions for sales returns are estimated based on historical experience. Such provisions are deducted from sales in the year the products are sold.

(r) Employees' bonuses and remuneration paid to directors and supervisors

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

(s) Income taxes

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

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

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

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

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

Basic EPS are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. The Company's common stock to be issued for the employee stock options and employee bonuses to be settled through the issuance of stock upon approval by stockholders are considered potential common stock. When potential common stock is anti-dilutive, only the basic EPS are disclosed. Diluted EPS are disclosed in addition to basic EPS when potential common stock has dilutive effects. In computing diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming potential dilutive

(Continued)

common stock was outstanding during the year. The weighted-average number of outstanding shares is retroactively adjusted for the effects of stock dividends transferred from unappropriated earnings and capital surplus to common stock.

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

Effective from January 1, 2009, the Consolidated Companies adopted the newly revised SFAS No. 10 “Inventories”. The adoption resulted in a decrease in net income and basic EPS－ retroactively adjusted of $2,639 and $0.01, respectively, for the year ended December 31, 2009.

(4) Explanation of Significant Accounts

(a) Cash

	December 31	
	2010	**2010**
Cash on hand	$ 554	699
Savings and checking account	1,464,362	691,380
Time deposits	2,510,176	1,954,547
	$ 3,975,092	2,646,626

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

	December 31	
	2010	**2010**
Mutual funds	$ 320,223	1,442,305

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

	December 31	
	2010	**2010**
Current:		
Notes receivable	$ 8,786	2,104
Accounts receivable	5,646,285	3,118,970
	5,655,071	3,121,074
Less: allowance for doubtful accounts and allowance for sales returns and discounts	(223,231)	(64,030)
	$ 5,431,840	3,057,044
Non-current:		
Overdue receivable	$ 39,976	199,807
Less: allowance for doubtful accounts	(39,976)	(199,807)
Overdue receivable, net (recorded in other assets－non-current)	$ -	-

(Continued)

(d) Inventories

	December 31	
	2010	**2010**
Finished goods	$ 1,825,450	868,202
Less: provision for inventory devaluation	(2,937)	(3,091)
	1,822,513	865,111
Work in process	209,037	97,938
Less: provision for inventory devaluation	(1,693)	(3,941)
	207,344	93,997
Raw materials and supplies	1,169,345	887,941
Less: provision for inventory devaluation	(125,685)	(57,592)
	1,043,660	830,349
	$ 3,073,517	**1,789,457**

The details for cost of goods sold:

	2010	**2009**
Cost of goods sold	$ 22,446,634	12,727,088
Inventory provision	155,345	105,036
Disposal gain on scrap and defectives	(2,529)	(780)
Physical inventory loss (gain)	16	(33)
	$ 22,599,466	**12,831,311**

(Continued)

(e) Funds and investments

1. Long-term investments under the equity method and financial assets carried at cost － non-current at December 31, 2010 and 2009, are summarized below:

	December 31, 2010			
Investee	**Percentage of ownership**	**Acquisition cost**	**Book value**	**Investment income (loss)**
Long-term investments under equity method:				
Kunshan Changnun Precision Die Casting Co., Ltd. (WQN)	47.44	$ 72,411	94,805	24,857

	December 31, 2009			
Investee	**Percentage of ownership**	**Acquisition cost**	**Book value**	**Investment income (loss)**
Long-term investments under equity method:				
Kunshan Changnun Precision Die Casting Co., Ltd. (WQN)	47.44	$ 72,411	75,515	8,111

	December 31, 2010		December 31, 2009	
Investee	**Acquisition cost**	**Book value**	**Acquisition cost**	**Book value**
Financial assets carried at cost－non-current:				
First International Telecom, Inc.	29,700	-	29,700	-
GreenWave Reality LLC	48,482	48,482	48,482	48,482
NeWave Sensor Solutions LLC	31,450	31,450	-	-
		79,932		48,482

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

(Continued)

For the years ended December 31, 2010 and 2009, details of the difference between acquisition cost and fair value of net assets acquired were as follows:

		For the year ended December, 31, 2010			
		Beginning balance	**Current-period change**	**Amortization or realization**	**Ending balance**
Goodwill	$	35,277	-	-	35,277

		For the year ended December, 31, 2009			
		Beginning balance	**Current-period change**	**Amortization or realization**	**Ending balance**
Goodwill	$	35,277	-	-	35,277

2. Other financial assets－non-current at December 31, 2010 and 2009, are summarized below:

		December 31	
		2010	**2010**
Refundable deposits	$	6,672	2,214

(f) Intangible assets

The information on intangible assets and their amortization is as follows:

		Software	**Patents**	**Land use rights**	**Total**
Original cost:					
Balance at January 1, 2009	$	154,804	5,559	98,220	258,583
Additions (Refunds)		23,928	12,725	(16,582)	20,071
Written off		(31,270)	(5,559)	-	(36,829)
Translation adjustment		-	-	(2,182)	(2,182)
Balance at December 31, 2009	$	147,462	12,725	79,456	239,643
Balance at January 1, 2010	$	147,462	12,725	79,456	239,643

(Continued)

		Software	Patents	Land use rights	Total
Additions		32,138	25,024	7,876	65,038
Written off		(84,462)	(9,456)	-	(93,918)
Translation adjustment		-	-	(5,356)	(5,356)
Balance at December 31, 2010	$	95,138	28,293	81,976	205,407
Amortization:					
Balance at January 1, 2009	$	113,979	5,559	4,460	123,998
Amortization		39,119	10,818	1,171	51,108
Written off		(31,270)	(5,559)	-	(36,829)
Translation adjustment		-	-	(141)	(141)
Balance at December 31, 2009	$	121,828	10,818	5,490	138,136
Balance at January 1, 2010	$	121,828	10,818	5,490	138,136
Amortization		36,534	11,295	1,066	48,895
Written off		(84,462)	(9,456)	-	(93,918)
Translation adjustment		-	-	(357)	(357)
Balance at December 31, 2010	$	73,900	12,657	6,199	92,756
Book value:					
Balance at January 1, 2009	$	40,825	-	93,760	134,585
Balance at December 31, 2009	$	25,634	1,907	73,966	101,507
Balance at January 1, 2010	$	25,634	1,907	73,966	101,507
Balance at December 31, 2010	$	21,238	15,636	75,777	112,651

For the years ended December 31, 2010 and 2009, the Consolidated Companies recognized amortization expense for intangible assets of $48,895 and $51,108, respectively, recorded in operating cost and expense.

(g) Deferred charges

		December 31	
		2010	2010
Deferred acquisition building cost	$	159,326	168,699
Others		163,159	78,538
	$	322,485	247,237

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

(Continued)

(h) Pension

The measurement dates for the actuarial study of the Company's pension obligation were December 31, 2010 and 2009. The funded status of the Company's pension scheme as of December 31, 2010 and 2009, was as follows:

		December 31	
		2010	**2010**
Benefit obligation:			
Vested benefit obligation	$	(20,012)	(15,243)
Non-vested benefit obligation		(57,124)	(47,337)
Accumulated benefit obligation		(77,136)	(62,580)
Effects of future salary increases		(71,755)	(62,042)
Projected benefit obligation		(148,891)	(124,622)
Fair value of plan assets		114,089	98,682
Funded status		(34,802)	(25,940)
Unrecognized pension gain		62,213	50,085
Unrecognized net obligation at transition		531	607
Prepaid pension assets	$	27,942	24,752

The net pension cost had the following components:

		2010	**2010**
The defined benefit plan:			
Service cost	$	2,000	2,347
Interest cost		2,804	2,781
Expected return on pension fund		(1,635)	(617)
Amortization		1,196	(292)
Net pension cost	**$**	**4,365**	**4,219**
The defined contribution plan:	**$**	**60,752**	**57,941**

Actuarial assumptions were as follows:

	December 31	
	2010	**2010**
Discount rate	1.75%	2.25%
Rate of salary increase	4.00%	4.00%
Projected return on plan assets	1.75%	2.25%

As of December 31, 2010 and 2009, the vested benefit costs were $26,276 and $21,591, respectively, and the amounts were calculated based on the Company's employee retirement plan.

(Continued)

(i) Short-term loans

As of December 31, 2010 and 2009, short-term loans were $3,286,204 and $2,739,733, respectively, and the Consolidated Companies had total short-term lines of credit amounting to $8,616,963 and $6,780,801, respectively, and had used short-term lines of credit amounting to $3,304,134 and $2,779,168 , respectively.

For the years ended December 31, 2010 and 2009, the interest rate was 0.59%~3.99% and 0.61%~5.39%, respectively.

(j) Stockholders' equity and employee stock options

1. Common stock

Pursuant to a stockholders' resolution on June 14, 2010, the Company increased its common stock by 12,407 thousand shares through the transfer of stock dividends of $124,069. The effective date of the capital increase was August 10, 2010.

Pursuant to a stockholders' resolution on June 16, 2009, the Company increased its common stock by 15,456 thousand shares through the transfer of stock dividends and employees' bonuses of $115,857 and $103,917, respectively. The effective date of the capital increase was September 14, 2009. Employees' bonuses of $103,917, divided into 3,870 thousand shares at $26.85 per share, were computed based on the closing price of the Company's stock on the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects.

As of December 31, 2010 and 2009, the employee stock options which were still valid were as below:

Item	Approval date	Grant date	Vesting period	Units of grant (thousands)	Price per share (New Taiwan dollars)	Market price per share (New Taiwan dollars)	Adjusted exercise price (New Taiwan dollars)
First employee stock options in 2007	November 15, 2007	November 16, 2007	2~4 years	20,000	$65.80	$65.80	$45.00

(Continued)

As of December 31, 2009, the above employee stock options had not yet been exercised.

The above employee stock options were exercised for 4,857 thousand shares in 2010. As of December 31, 2010, the Company had received $52,695 in advance for the employee stock options for the purchase of 1,171 thousand shares. The registration had not yet been completed and was recorded in advance receipts for common stock.

As of December 31, 2010 and 2009, the authorized capital of the Company was $3,500,000, including $250,000 reserved for employee stock options. The issued capital amounted to $2,682,640 and $2,521,711, respectively. The par value of the Company's common stock is $10 per share.

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

According the employee stock options granted on November 16, 2007, the options are exercisable to the second anniversary of the grant date. The Company adopted the intrinsic value method to recognize the compensation cost for the first employee stock 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, 2010.

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

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

(Continued)

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

	2010		2009	
	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)
Outstanding balance at the beginning	19,725	$48.70	19,900	$53.50
Options granted	(4,857)	46.34	-	-
Options forfeited	(145)	48.70	(175)	-
Outstanding balance at the year-end	**14,723**	**45.00**	**19,725**	**48.70**
Exercisable number, end of year	**8,195**	**45.00**	**6,575**	**48.70**

As of December 31, 2010, the weighted-average remaining contractual life of the employee stock options was 3.88 years.

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

			2010	2009
Net income	Net income	$	**1,548,984**	**821,623**
	Pro forma net income	$	**1,531,303**	**749,428**
Basic EPS	EPS (New Taiwan dollars)	$	**5.92**	**3.19**
	Pro forma EPS (New Taiwan dollars)	$	**5.85**	**2.90**
Diluted EPS	EPS (New Taiwan dollars)	$	**5.70**	**3.12**
	Pro forma EPS (New Taiwan dollars)	$	**5.64**	**2.85**

2. Capital surplus

	December 31	
	2010	2010
Capital surplus－premium	$ 1,590,193	1,454,667
Treasury stock sold to employees	100,454	-
Capital surplus from merger	36,653	36,653
	$ 1,727,300	**1,491,320**

(Continued)

Pursuant to the ROC Company Act, capital surplus can only be used to offset a deficit and cannot be used to declare cash dividends. However, capital surplus derived from additional paid-in capital or arisen from donations (donated capital) can be used to increase share capital if there is no accumulated deficit. According to current ROC securities regulations, the total of capital surplus capitalized per year may not exceed 10 percent of the issued capital. Additionally, the capital surplus realized from a capital increase or other source shall be capitalized only in the following fiscal year after being registered by the Company with the competent authority for approval.

3. Legal reserve

Pursuant to the ROC Company Act, 10% of the Company's annual net income is to be set aside as legal reserve until such retention equals the amount of issued common stock. Legal reserve shall be used exclusively to cover losses and shall not be used for distribution of cash dividends.

4. Policy on distribution of earnings and dividends

According to the Company's articles of incorporation, 10% of the Company's net income, after offsetting any accumulated deficit, shall be set aside as a legal reserve. A special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder of such appropriation should be as follows:

(i) 5% or more as bonuses to employees. If the bonus is provided as common stock, employees (including of the subsidiaries) must conform to certain conditions set by the board of directors.

(ii) 1% as remuneration to directors and supervisors. The remuneration is authorized by the board of directors based on the degree of participation and contribution to the Company, and is provided in cash.

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

The above-mentioned distribution may be adjusted after approval by the stockholders.

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

(Continued)

According to ROC securities regulations, the annual earnings should be used to provide a special reserve to eliminate any reduction in stockholders' equity. If a reduction in stockholders' equity is reversed, the same amount could be moved from special reserve to unappropriated earnings.

For the years ended December 31, 2010 and 2009, the amounts of the employees' bonuses were estimated at $278,817 and $147,891, respectively, and the amounts of remuneration to directors and supervisors were estimated at $13,941 and $7,395, respectively. The board of directors estimated the amounts by taking into consideration the Company's articles of incorporation and the historical appropriation, and the amounts were decided to be 90% of the balance of net income on December 31, 2010 and 2009, multiplied by 20% as bonuses to employees and multiplied by 1% as remuneration to directors and supervisors. Shares distributed to employees as employees' bonuses are calculated based on the closing price of the Company's stock on the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Moreover, if the amounts are modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of income in the following year.

Information about dividends per share, employees' bonuses and directors' and supervisors' remuneration which were distributed from unappropriated earnings for 2009 and 2008 on June 14, 2010, and June 16, 2009, were as follows:

		2009	2008
Dividends per share:			
Cash (New Taiwan dollars)	$	1.794	1.000
Common stock (par value)		0.498	0.500
	$	2.292	1.500

		2009	2008
Employees' bonuses－common stock (par value)	$	-	103,917
Employees' bonuses－cash		147,891	25,979
Directors' and supervisors' remuneration		7,395	6,495
	$	155,286	136,391

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

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

(Continued)

5. Treasury stock

The Company had acquired treasury stock to be made available for sale to its employees in accordance with SFB regulations.

The details are as follows:

Unit: thousand shares

	2010		2009	
	Shares	**Amount**	**Shares**	**Amount**
Beginning of the year	5,000	$ 214,021	5,000	214,021
Sold to employees	(5,000)	(214,021)	-	-
End of the year	-	$ -	5,000	214,021

According to the Securities and Exchange Act, the number of treasury shares shall not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus.

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares held do not bear shareholder rights.

The Company sold 5,000 thousand shares of treasury stock to its employees and recognized compensation cost of $140,000 using the Black-Scholes option pricing model in accordance with SFAS No. 39. The assumptions were as follows:

Expected cash dividend yield	17.846 %
Expected volatility of stock price	10.86 %
Risk-free interest rate	1.135 %
Expected life of the option	1 day
Transfer price (New Taiwan dollars)	35

(Continued)

The date on which the Company transferred treasury stock to its employees was November 17, 2010. The closing price on the above transfer date was $63 New Taiwan dollars. As of December 31, 2010, the transfer procedure had been completed.

(k) Earnings per common share

	2010		2009	
	Before Income Taxes	**After Income Taxes**	**Before Income Taxes**	**After Income Taxes**
Basic EPS:				
Net income	$ 1,912,326	1,548,984	1,070,404	821,623
Weighted-average common shares outstanding (thousand)	261,665	261,665	245,400	245,400
Basic EPS (New Taiwan dollars)	$ 7.31	5.92	4.36	3.35
Basic EPS – retroactively adjusted (New Taiwan dollars)			$ 4.15	3.19
Diluted EPS:				
Weighted-average common shares outstanding (thousand)	261,665	261,665	245,400	245,400
Add: Potential number of common shares (thousand)	9,880	9,880	5,068	5,068
Diluted weighted-average common shares outstanding (thousand)	271,545	271,545	250,468	250,468
Diluted EPS (New Taiwan dollars)	$ 7.04	5.70	4.27	3.28
Diluted EPS – retroactively adjusted (New Taiwan dollars)			$ 4.07	3.12

(l) Income tax

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

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

(Continued)

NQJ and NYC are exempted from income taxes in the first and second year (2008~2009) and allowed a 50% reduction in the third to fifth year (2010~2012). The statutory income tax rate applicable to NQJ and NYC are 11% in 2010.

The Company's income tax expense is based on the Income Tax Act of the Republic of China and is calculated in accordance with the Income Basic Tax Act (IBTA). Pursuant to the Income Tax Act, as revised on May 27, 2009, the statutory income tax rate applicable to the Company will be reduced from 25% to 20% starting from 2010. In June 15, 2010, the Republic of China government promulgated another amendment on the Income Tax Act to further reduce the income tax rate from 20% to 17%, effective on January 1, 2010; such reduction in the income tax rate is retrospective. Therefore, the statutory income tax rate applicable to the Company is 17% and 25% in 2010 and 2009, respectively.

Income tax expense was as follows:

		2010	2009
Current income tax	$	319,063	147,083
Deferred income tax expense		130,918	108,644
	$	449,981	255,727

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

		2010	2009
Income tax expense computed at the statutory tax rate	$	339,824	269,328
Discrepancy caused by different tax rates applied to the Company's subsidiaries		72,510	5,626
Tax effect of permanent differences		(8,911)	(805)
Tax exemption		(6,055)	(7,142)
Change in investment tax credits, net		11,073	(22,836)
Change in valuation allowance for deferred income tax assets		(34,478)	(106,731)
Additional 10% surtax on undistributed earnings		16,874	30,191
Effect of change in tax rate		1,176	1,265
Prior-year adjustment		57,968	86,831
Income tax expense	$	449,981	255,727

(Continued)

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

	December 31			
	2010		2009	
	Amount	Income tax effect	Amount	Income tax effect
Current assets:				
Tax credits	$ 16,165	16,165	98,814	98,814
Allowance for doubtful accounts over the quota	134,877	22,929	176,169	35,234
Unrealized loss from inventory devaluation	130,315	22,154	64,624	12,925
Unrealized expense	116,307	19,772	72,967	14,594
Unrealized foreign exchange loss	85,263	14,495	13,950	2,790
Unrealized inter-company profits	168,940	28,720	81,830	16,366
Others	3,507	1,403	12,258	4,903
		125,638		185,626
Less: valuation allowance		(16,165)		(50,643)
		109,473		134,983
Non-current liabilities:				
Cumulative translation adjustments	$ 77,576	13,189	(85,655)	(17,131)
Investment gain recognized by equity method	(936,799)	(159,256)	(256,392)	(51,278)
		$ (146,067)		(68,409)
Total deferred tax assets		$ 138,827		185,626
Total deferred tax liabilities		$ 159,256		68,409
Valuation allowance for deferred tax assets		$ 16,165		50,643

Under Article 10 of the Statute for Industrial Innovation, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the period in which these expenditures are incurred, but the deduction should not exceed 30% of the income tax payable for that period. The Company deducted $48,857 from its income tax payable for the year ended December 31, 2010.

(Continued)

ROC tax regulations stipulate that investment tax credits used by the Company each year shall not exceed 50% of current income tax payable, and any unused balance can be carried forward to the following four years and will be subject to the same percentage limitation for each year except in the year of expiration, when any remainder can be used for offset of income tax payable in that year. As of December 31, 2010, the estimated unused income tax credits, resulting from investment in machinery and equipment, research and development, and training, available to reduce future tax liabilities and the years of expiration were as follows:

Year of investment	Year of expiration	Unused investment tax credits
2009 (declared)	2013	$ 16,165

The Company's income tax returns have been examined by the tax authorities through 2008.

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

	December 31	
	2010	2010
Unappropriated retained earnings:		
Earned after December 31, 1998	$ 3,066,396	2,170,290
Imputation credit account balance	$ 351,967	332,681
	2010 (estimated)	2009 (actual)
Creditable ratio for earnings distribution to resident stockholders	16.25%	16.74%

(m) Financial instruments

1. Derivative financial instruments

	December 31, 2009	
Item	Contract amount (in USD thousands)	Currency
Sell－forward foreign currency exchange contracts	$ 4,500	Sell USD/ Buy NTD

(Continued)

The Company signed forward foreign currency exchange contracts with banks. The contracts' purpose was to manage the foreign rate risk exposure of net foreign currency assets. As of December 31,2010, the above forward currency contracts had been closed. As of December 31, 2009, the book value of related derivative financial assets was $1,095, recorded in other financial assets－current. Changes in fair value caused unrealized gains on financial assets of $940 for the year ended December 31, 2009, recorded in other income.

NQJ and NYC did not enter into any derivative financial instrument contracts for the years ended December 31, 2009. NQJ and NYC signed forward foreign currency swap contracts with banks for the year ended December 31, 2010. As of December 31, 2010, the above forward foreign currency swap contracts had been closed.

2. Non-derivative financial instruments

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

	December 31			
	2010		2009	
	Book value	Book value	Book value	Book value
Financial assets:				
Cash	$ 3,975,092	3,975,092	2,646,626	2,646,626
Available-for-sale financial assets－current (beneficiary certificates)	320,223	320,223	1,442,305	1,442,305
Financial assets carried at cost－non-current (equities)	79,932	2(ii)(3)	48,482	2(ii)(3)
Notes and accounts receivable	5,586,668	5,586,668	3,201,297	3,201,297
Other financial assets	22,459	22,459	28,788	28,788
Financial liabilities:				
Short-term loans	3,286,204	3,286,204	2,739,733	2,739,733
Notes and accounts payable	5,001,894	5,001,894	2,699,119	2,699,119
Salary and wages payable	795,962	795,962	525,005	525,005

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

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

(Continued)

(2) Available-for-sale financial assets－beneficiary certificates have an active and open market. Therefore, fair value is based on their market price.
(3) Financial assets carried at cost－privately held stock is not traded in the public market, and fair value is impractical to assess.

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

3. Financial risk information

(i) Market price risk

The forward foreign currency exchange contracts as of December 31, 2009, are influenced by the market exchange rate. Appreciation of the US dollar by 0.1 against the New Taiwan dollar would have caused the fair value to increase by approximately $450.

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

(ii) Credit risk

The Consolidated Companies' potential credit risk is derived primarily from cash, beneficiary certificates, and accounts receivable. The Consolidated Companies maintain their 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 Company believes that there is no concentration of credit risk in cash and beneficiary certificates.

The majority of the Consolidated Companies' customers are in the communication industry. The Consolidated Companies continuously evaluate the credit quality of their customers. As of December 31, 2010 and 2009, 59% and 51%, respectively, of total accounts receivable consisted of ten customers. However, the Consolidated Companies evaluate the collectibility of trade receivables and provide adequate reserves for bad debts, if necessary.

(iii) Liquidity risk

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

(Continued)

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

Some of the Consolidated Companies' short-term loans bear floating interest rates. Changes in effective rate along with fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. As of December 31, 2010, if the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately $21,726.

(5) Related-party Transactions

(a) Name and relationship

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

Note: Related-party transactions were recognized and disclosed in accordance with ARDF No. 99-371. The adoption of ARDF No. 99-371 had no impact on the Company's net income in 2010.

(Continued)

(b) Significant transactions with related parties

1. Sales and accounts receivable

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

	2010		2009	
	Amount	**% of net sales**	**Amount**	**% of net sales**
WEKS	$ 125,258	1	4,644	-
WAKS	124,455	1	75,271	-
WPKS	114,358	-	155,230	1
WIKS	50,824	-	137,660	1
Wistron	816	-	410	-
Others	35,385	-	19,605	-
	$ 451,096	2	392,820	2

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

The receivables resulting from the above transactions were as follows:

	December 31			
	2010		2009	
	Amount	**% of net N/R & A/R**	**Amount**	**% of net N/R & A/R**
WEKS	$ 62,609	1	-	-
WAKS	44,440	1	27,959	1
WPKS	31,792	1	61,930	2
WIKS	3,294	-	49,160	2
Wistron	32	-	354	-
Others	12,661	-	4,850	-
	$ 154,828	3	144,253	5

(Continued)

2. Purchases, processing fee, and accounts payable

Purchases from related parties were as follows:

	2010		2009	
	Amount	**% of net purchases**	**Amount**	**% of net purchases**
WQN	$ 403,583	2	211,625	2
Wistron	-	-	29,570	-
Others	-	-	33	-
	$ 403,583	2	241,228	2

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

Processing fees from related parties for the years ended December 31, 2010 and 2009, were as follows:

	2010	2009
Wistron	$ -	1,636

Because processing of the products is different for related parties and non-related parties, the transaction prices and terms cannot be compared.

Payables resulting from the above transactions were as follows:

	December 31			
	2010		2009	
	Amount	**% of net N/P & A/P**	**Amount**	**% of net N/P & A/P**
WQN	$ 70,575	1	51,912	2
Wistron	-	-	1,718	-
Others	-	-	32	-
	$ 70,575	1	53,662	2

(Continued)

3. Purchases of property, plant and equipment

Purchases of property from related parties were as follows:

		2010	2009
Wistron	$	-	952
WQN		-	143
	$	**-**	**1,095**

As of December 31, 2010 and 2009, payables resulting from the above transactions were $0 thousand and $295, respectively.

4. Rental expenses

The rental of factory buildings and dormitories leased from Wistron for the years ended December 31, 2010 and 2009, amounted to $1,781 and $31,704, respectively.

As of December 31, 2010 and 2009, payables resulting from the above transactions were $83 and $3,014, respectively.

5. Other transactions

(i) The Company paid related parties for miscellaneous expenses, administrative expenditures, maintenance expenses, test expenses, and casting mold expenses as follows:

		2010	2009
Wistron	$	24,622	49,116
WQN		-	281
Others		-	807
	$	**24,622**	**50,204**

Payables resulting from the above transactions were as follows:

		December 31	
		2010	**2009**
Wistron	**$**	**4,774**	**3,550**

(Continued)

(ii)As of December 31, 2009, the Consolidated Companies had reimbursed related parties for miscellaneous expense amounting to $87.

6. Compensation to the principal management team

		2010	2009
Salaries	$	30,124	21,175
Cash awards and other expense		16,864	12,759
Business expense		430	260
Employee bonuses		22,757	17,451

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

(6) Pledged Assets: None

(7) Commitments and Contingencies

In addition to those disclosed in note 5 to the financial statements, the Consolidated Companies also have the following commitments and contingencies:

(a) U.S. Electronics, Inc. (USE) initiated an arbitration action against the Company in the International Centre for Dispute Resolution (ICDR), American Arbitration Association. USE alleged that the Company breached a production agreement between USE and the Company involving radio transmitters. The Company filed a counterclaim alleging that USE breached the production agreement by failing to render payment for products that the Company delivered. The case was resolved with the parties entering into a confidential settlement agreement in August 2010.

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

(Continued)

(8) Other

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

	2010			2009		
	Function					
Account	**Operating costs**	**Operating expense**	**Total**	**Operating costs**	**Operating expense**	**Total**
Personnel expenses						
Salaries	1,285,553	1,344,712	2,630,265	776,556	968,324	1,744,880
Labor and health insurance	43,943	61,315	105,258	32,681	55,604	88,285
Pension	26,777	38,340	65,117	24,828	37,332	62,160
Other	89,987	29,330	119,317	21,913	25,667	47,580
Depreciation	383,358	158,112	541,470	334,750	110,904	445,654
Amortization	48,649	66,250	114,899	41,275	58,635	99,910

(b) The significant amounts of financial assets and liabilities were as follows:

Unit: foreign currency thousand

	2010			2009		
	Foreign currency	**Exchange rate**	**Amount**	**Foreign currency**	**Exchange rate**	**Amount**
Financial assets:						
Monetary items:						
USD	323,382	29.305	9,476,707	154,912	32.03	4,961,853
Financial liabilities:						
Monetary items:						
USD	338,572	29.305	9,921,865	183,039	32.03	5,862,743
Non-monetary items:						
USD	-	-	-	4,500	32.248~ 32.39	Note

Note: Foreign exchange forward contracts were measured based on fair value at December 31, 2009; see note 4(m).

(Continued)

(9)Segment Financial Information

(a) Industry financial information

The Company 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.

(b) Geographic information

	2010			
	Taiwan	North America and others	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 14,202,526	13,135,861	-	27,338,387
Sales among consolidated entities	11,658,591	16,969,966	(28,628,557)	-
Total sales	$ 25,861,117	30,105,827	(28,628,557)	27,338,387
Income before income tax	$ 1,912,326	767,046	(680,407)	1,998,965
Identifiable assets	$ 15,220,577	11,122,922	(8,237,033)	18,106,466
Long-term investments				94,805
				$ 18,201,271

	2009			
	Taiwan	North America and others	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 8,074,763	7,828,755	-	15,903,518
Sales among consolidated entities	5,196,044	6,180,037	(11,376,081)	-
Total sales	$ 13,270,807	14,008,792	(11,376,081)	15,903,518
Income before income tax	$ 1,070,404	337,668	(330,722)	1,077,350
Identifiable assets	$ 10,873,248	6,263,983	(3,992,474)	13,144,757
Long-term investments				75,515
				$ 13,220,272

(Continued)

(c) A breakdown of export sales for the years ended December 31, 2010 and 2009, is as follows:

	2010		2009	
	Amount	**% of net sales**	**Amount**	**% of net sales**
Europe	$ 1,607,309	6	1,460,863	9
Americas	13,453,687	49	8,910,216	56
Asia	9,412,394	34	4,620,997	29
Others	183,503	1	116,317	1
	$ 24,656,893	**90**	**15,108,393**	**95**

(d) For the years ended December 31, 2010 and 2009, sales to individual customers representing greater than 10% of revenues were as follows:

	2010		2009	
	Amount	**% of net sales**	**Amount**	**% of net sales**
Customer D	**$ 8,534,178**	**31**	**4,907,290**	**31**

6. Financial analysis

6.1 2010 vs. 2009 financial analysis (Non-consolidated)

Unit: Thousand NT$

Year / Item	2010		2009		Difference	
	Amount	%	Amount	%	Amount	%
Current assets	10,155,058	68	7,201,142	66	2,953,916	41.02
Long-term investments	2,890,746	19	1,905,875	17	984,871	51.68
Net property, plant and equipment	2,006,356	12	1,617,820	15	388,536	24.02
Intangible assets	36,874	-	27,541	-	9,333	33.89
Other assets	226,348	1	196,385	2	29,963	15.26
Total assets	15,315,382	100	10,948,763	100	4,366,619	39.88
Current liabilities	7,044,237	46	4,251,420	38	2,792,817	65.69
Other liabilities	146,067	1	68,409	1	77,658	113.52
Total liabilities	7,190,304	47	4,319,829	39	2,870,475	66.45
Common stock	2,682,640	18	2,521,711	23	160,929	6.38
Advance Receipts for Common Stock	52,695	-	-	-	52,695	100.00
Capital surplus	1,727,300	11	1,491,320	14	235,980	15.82
Un-appropriated earnings	3,733,448	24	2,755,180	25	978,268	35.51
Other adjustment	(71,005)	-	74,744	1	(145,749)	(195.00)
Treasury stock	-	-	(214,021)	(2)	214,021	100.00
Total stockholders' equity	8,125,078	53	6,628,934	61	1,496,144	22.57

Note：
1. The current assets increase is due to increase in account receivables.
2. Long term investment increase is because of profit earned by investment in China.
3. The net property, plant and equipment increase is due to the growth of sales of this fiscal year.
4. The current liability increase is due to the growth of sales and increase of related costs for materials and personnel.
5. Other liabilities increase is due to increase of Deferred Tax Liability from Long-term investment benefit increase.
6. Other Adjustment decrease is due to Accumulated Translation adjustment increase.

6.2 2010 vs. 2009 operating result analysis (Non-consolidated)

Unit: Thousand NT$

Year / Item	2010		2009		Change percentage	
	Sub-total	Total	Sub-total	Total	Increasing (decreasing) amount	(%)
Revenues	26,057,960		13,459,518		12,598,442	93.60
Less: sales returns and allowances	196,843		188,711		8,132	4.31
Net revenues		25,861,117		13,270,807	12,590,310	94.87
Cost of revenues		22,174,107		11,052,163	11,121,944	100.63
Change in unrealized intercompany profits		(87,110)		142,053	(229,163)	(161.32)
Realized gross profit		3,599,900		2,360,697	1,239,203	52.49
Operating expenses		2,323,651		1,662,742	660,909	39.75
Operating income		1,276,249		697,955	578,294	82.86
Non-operating income and gains		784,591		388,080	396,511	102.17
Non-operating expenses and losses		148,514		15,631	132,883	850.12
Income before income taxes		1,912,326		1,070,404	841,922	78.65
Income tax benefit		(363,342)		(248,781)	(114,561)	46.05
Net income(		1,548,984		821,623	727,361	88.53

Analysis for change item amount:
1. The net revenues and cost of revenues increase over 2009 is due to the increase of market demands and good sales.
2. The Non-operating income and gains increase is due to revenue increase.
3. The Non-operating expenses and losses increase is due to foreign exchange loss increase.

6.3 Cash flow analysis

6.3.1 Cash flow forecast in 2011

Unit: Thousand NT$

Cash beginning balance	Cash flow from operating activities	Cash flow-in(out) due to investment and financing	Cash ending balance (shortage)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
1,943,766	536,857	75,087	2,555,710	-	-

1. Cash flow analysis:

Operating activities: Cash flow-in of NT$537 million was mainly caused by operating profit.

Investing activities: Cash flow-out of NT$72 million is mainly caused by fixed asset acquisition and long-term investment increase.

Financing activities: Cash flow-in of NT$ 147 million was due to the proceeds from the execution of employee stock option and treasury stock sold to employees.

6.4 Significant capitalized expenditure analysis

None

6.5 Long-term investment objective

1. Main reason for gain or loss, improvement plan and coming year investment plan:

Unit: Thousand NT$

Description / Item	Amount(note)	Policy	2010 profit and loss	Main reason of profit or loss	Improvement plans
Wistron NeWeb (Kunshan) Corporation	128,848	Indirect investment in China through holding companies to coordinate the corporate business growth demand	-	Constructing, no profit or loss issues	none
WNC (Kunshan) Corporation	305,230	Indirect investment in China through holding companies to coordinate the corporate business growth demand	507,333	Profit due to increases in sales demand	none

Note: Those with the investment amount that has surpassed 5% of paid-in capital.

2. Investment plan for the coming year: The Company expects to increase 150 million for investment to coordinate the overseas subsidiary capital increase and expansion demand.

6.6 Risk Management

6.6.1 How does interest rate, exchange rate, or inflation influence the Company's profits and losses, and how to manage suck risks?

Unit: Thousand NT$

Items	2010
Interest Income	5,697
Interest Expense	13,794
Exchange (loss) gain	(129,702)

By end of 2010, the cash and short-term investment balance of the company totaled about 2.9 billion, with short-term borrowings about 1.7 billion. We reinvested the surplus funds after considerable evaluation of risks involved, while watching closely the change of bank lending rates on a regular basis.

Around 90% of the Company's revenue from sales was quoted in U.S. dollars, and most of the Company's material purchase used U.S. dollars as well. Therefore, the majority of the Company's foreign currency operating exposure can be mutually offset. In addition the Company 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 the Company.

The action plans to cope with impacts 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 funds yields and borrowing costs, in light of the Company'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 is Company's policy to make high risks or leveraged investment, make a loan, make a guarantee or buy derivatives? And what are the reasons of gain or loss and what are the future plans?

The company has not performed any high-risk or highly leveraged investments for the past year. The company has not loaned funds and endorsed or guaranteed for any parties other than the subsidiaries wholly-owned by the company, and no loss has incurred. Company performed derivatives transactions under the related regulations of the company, and the transactions were within our business scope.

Looking ahead, the company will adhere to its existing principle, and not make high-risk and highly leveraged investments. We will only loan to other parties, endorse and guarantee for other parties under the company's applicable regulations. The derivatives transactions will be performed strictly in compliance with the Derivatives Transaction Procedures set forth by the company.

6.6.3 Future R&D development plan and investment

1. Future R&D development plan

Mobile Communications Series

3G smartphone
4G broadband network access terminal

Satellite Communication Product Series

One-cable outdoor receiving system and derivative products
Multi-output LNB products
HD satellite receiving system product series
Automotive Radar series

Broadband Network Product Series

Advanced wireless router
Advanced IP set-top-box
In-home distribution and networking products.

2. Investment
The Company will continue to invest on the equipments of the above-mentioned products and recruit outstanding R&D personnel for innovation and development in order to maintain the leading role on the technology and win the market opportunities. The investment ratio on R&D expenses for 2011 will be approximately the same with 2010.

6.6.4 The impact of law and regulation changes on the Company's financial performance:

The international or domestic significant policies and law changes will be conducted by each the departments concerned to know all scenarios and proper countermeasures to prepare.

6.6.5 Impact of technological and industrial changes on the Company's financial performance:

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

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

Not applicable. The Company does not have any corporate image change plans.

6.6.7 Expected gains and possible risks relative to acquisitions, and the solution:

Not applicable. The Company does not have any acquisitions plans

6.6.8 Expected benefits and risks related to plant facility expansions:

Feasibility study and financial analysis will be conducted by a designated task force for all plant facility expansions to know all scenarios and proper countermeasures to prepare.

6.6.9 Supply and distribution concentration:

No concentration risk pertaining to the suppliers and customers.

6.6.10 How shares transfer made by directors, supervisors or shareholders with 10% or more shareholdings affect Company?

None

6.6.11 Impact of management change on the Company and action plans:

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

6.6.12 The company 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 the company that are involved in the litigious and non-litigious matters and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report:

U.S. Electronics, Inc. (USE) claimed there were damages to their company caused by WNC's product quality issue and sued the Company for compensation. The Company then requested USE to repay the outstanding payments. The case was referred to arbitration at the International Centre for Dispute Resolution (ICDR), American Arbitration Association. Both parties signed the settlement agreement resulting in withdrawal of the arbitration case in August 2010. The case is closed.

6.6.13 Other risks

None

WNC

Wistron NeWeb Corp.