Stock Code: 6285

Wistron NeWeb Corporation

2019 Annual Report (Translation)

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

Publication Date: May 11, 2020

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

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

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

Headquarters: 20 Park Avenue II, Hsinchu Science Park, Hsinchu, Taiwan

S1 (Manufacturing site): 5 Lihsin Rd. VI, Hsinchu Science Park, Hsinchu, Taiwan

S2 (Manufacturing site): 8 Beiyuan 3rd Rd., Tainan Science Park, Tainan, Taiwan

Tel.: +886-3-666-7799

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

Address: No. 158, Singshan Rd., Neihu Dist., Taipei 114, Taiwan

Tel.: +886-2-6600-7998 Website: www.wnc.com.tw

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

Name:	Emily Tseng and Hai-Ning Huang	Website:	www.kpmg.com.tw
CPA firm:	KPMG	Tel.:	+886-2-8101-6666

Address: 68F, Taipei 101 Tower, No. 7, Sec. 5, Xinyi Road, Taipei 110, Taiwan

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

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

Index

1 Letter to Shareholders

Over the course of more than 20 years, WNC has become an important player in the network communications industry, with customers and production sites around the world. Our focus has been on market deployment and product/technology development in areas such as wireless communications, broadband networks, the Internet of Vehicles (IoV), the Internet of Things (IoT), and smart home devices. After many years of hard work, we have achieved balanced development in market development, technology research, manufacturing capability, and business operations and management. We are continually upgrading our competencies and competitiveness with the aim of expanding our business scope to include high-end core networks and wired broadband technologies. Looking to the future, we will continue to invest in the research and development of new technologies and work to attain a flexible customer and product portfolio, which will enable us to achieve stable growth and maintain good profit margins in the face of rapidly changing markets.

Financial and Operational Results

In 2019, WNC's consolidated revenue was NT$62.24 billion with an annual growth rate of 11%. Consolidated gross profit was NT$7.09 billion. Consolidated profit before tax was NT$1.884 billion, which is a 15.4% reduction compared to last year, and consolidated profit after tax was NT$1.461 billion. The basic earnings per share was NT$3.76.

Research and Development

5G, the IoT, and AI have led to the rapid development of AIoT (AI + IoT) around the world. Automotive, home, enterprise, and industrial products and applications will all benefit from the new high-speed, low latency network infrastructures brought about by the aforementioned technologies. As a leader in the integration of wired and wireless communications technologies, WNC will continue to develop key communications technologies while enhancing its cross-platform software and hardware integration capabilities, with the goal of using its extensive experience in antenna design, system integration, and UI development to provide professional-grade, flexible communications solutions for the IoT.

In 2018, WNC received the Hsinchu Science Park R&D Accomplishment Award and Innovative Product Award, and our Tri-radio Wi-Fi Smart Router and Ultra-compact Automotive HD Camera Module were recognized as Gold winners in the 2018 and 2019 IT World Awards® respectively. In addition, in the 2019 Top 100 Patent Rankings for Corporate Entities in Taiwan released by the Intellectual Property Office of the Ministry of Economic Affairs, WNC obtained the most patents out of all network communications companies on the list, demonstrating our prowess in research and development.

Operations Management

When the U.S.-China trade dispute escalated in the second half of 2018, we predicted that our customers in Europe and the U.S. would be directly impacted, thus we moved quickly to adjust the production capacity of our existing sites in China, strategically allocating the production of some products to newly established production sites in Taiwan and Vietnam in accordance with customer requirements. After undergoing production capacity adjustment and quality control in the first half of 2019, the new sites in Taiwan and Vietnam are now fully operational. In the process of establishing new production sites, we have implemented Industry 4.0, digital transformation, and other management concepts, which greatly improved the transparency of operational data, enhanced operational efficiency, and optimized research and production processes. Therefore, despite facing many challenges throughout 2019, WNC was able to achieve a record high of over US$ 2 billion in revenue for the year, making us the first JDM/ODM network communications company in Taiwan to achieve such a feat. In the face of rapidly changing markets, WNC will continue to implement digital transformation and Industry 4.0 to maintain its competitiveness and become a model company for smart management.

In 2019, WNC placed in the top 50 in the Large Enterprises Group for Excellence in CSR by CommonWealth Magazine. In addition, WNC was ranked by 1111 Job Bank as one of the 20 Companies with the Happiest Employees in 2019 (IT & IC manufacturing category), and we also received an elite award in the SGS CSR Awards for our efforts in CSR. We will share our efforts and achievements in CSR with all of our stakeholders in our 2019 Corporate Social Responsibility Report, which is scheduled to be released in June 2020.

Future Outlook

2020 will bring about more challenges in the overall market. In addition to the ongoing U.S.-China trade dispute, geopolitical economic barriers and supply chain disruptions caused by COVID-19 have cast a cloud over the economic outlook. However, with crises come opportunities, and these challenges present an opportunity to test our operational capabilities. In this Internet of Everything era of high fusion of software and hardware and high integration of virtual and actual worlds, companies who possess know-how in various communications technologies and extensive development experience will emerge from the pack. Utilizing its strong foundation in wireless communications technologies, WNC is investing resources in the development of software platforms and wired broadband technologies, aiming to provide comprehensive solutions for wireline/wireless end devices and central office equipment and establish closer partnerships with its customers. We will continue to focus on solutions for broadband access, smart home, industry supply chain networks, and smart transportation while keeping ourselves updated on the latest technology trends, responding flexibly to market demand, and working with customers to develop niche products that meet market demand in order to optimize customer satisfaction and build long-term partnerships.

Faced with rapidly changing markets, intense competition in our industry, and diverse customer requirements, we will continue to adhere to our core value of “Advocacy of Fundamental Values and Pragmatism” and carefully but optimistically drive WNC’s development to earn the highest sustainable profits for our shareholders by maintaining stable, positive corporate operating growth. On behalf of WNC, we wish to thank all of our shareholders for their continued encouragement and support.

Thank you!

Haydn Hsieh
Chairman of Wistron NeWeb Corporation

2 Company Introduction

2.1. Date of Establishment

December 7, 1996

2.2. Milestones

Dec.	1996	Wistron NeWeb Corporation (WNC) was founded in Hsinchu, Taiwan, on Dongda Rd.
April	1997	Established manufacturing plant in Zhubei City, Taiwan, on Fenggang Rd.
April	1998	Obtained ISO 9001 certification.
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
June	2000	Bluetooth product series honored with the Best Product Award at Computex Taipei 2000.
July	2000	Springboard Wireless Connector technology transferred from WIDCOMM (U.S.).
Aug.	2000	Officially commenced mass production of PHS handsets.
Sept.	2000	Bluetooth PDA Connector and IEEE 802.11b PCMCIA Card received the Taiwan Symbol of Excellence Award.
Dec.	2000	Established ANC Holding Corporation.
Oct.	2001	Established WNC Holding Corporation.
Dec.	2001	Bluetooth USB dongle received the Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park.
May	2002	Established NeWeb Holding Corporation.
July	2002	Honored for the Best International Import and Export Trade Growth in Taiwan.
Feb.	2003	Established W-NeWeb Corp. in the U.S.
Sept.	2003	Wistron NeWeb Corporation publicly listed on the Taiwan Stock Exchange on Sept. 22.
Nov.	2003	IEEE 802.11a/g Switch received the Hsinchu Science Park Innovative Product Award.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in Mainland China.
March	2004	Established WNC (Kunshan) Corporation in Mainland China.
May	2004	Merger with Acer Netxus Inc. completed on May 31.
Nov.	2005	Obtained ISO 14001 certification.
Nov.	2005	LNB annual output reached 10 million.
Dec.	2005	Obtained ISO/TS 16949 certification.
Jan.	2006	Wi-Fi Phone received the 2006 CES Innovations Design and Engineering Award.
Feb.	2006	Obtained SONY Green Partner Certification.

April	2006	Established Wistron NeWeb (Kunshan) Corporation in Mainland China.
June	2006	GSM/Wi-Fi Dual Net Phone received the 2006 Best Choice of Computex Taipei Award.
Nov.	2006	Honored with the Hsinchu Science Park R&D Accomplishment Award.
July	2007	Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in Mainland China.
Dec.	2007	Started mass production of Ka/Ku ODU products.
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored for Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008	Began construction of the new WNC Headquarters building.
Sept.	2008	Wi-Fi Media Frame Wireless Multimedia Player received the Hsinchu Science Park Innovative Product Award.
Oct.	2008	Obtained OHSAS 18001 certification.
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Nov.	2009	Honored with the Hsinchu Science Park R&D Accomplishment Award.
Nov.	2009	Completed training programs for the EuP Directive 2005/32/EC and applied the principles to product design processes.
Jan.	2010	Moved to 20 Park Avenue II (or Yuanchiu 2nd Rd), Hsinchu Science Park.
April	2010	Completed training programs for the ErP Directive 2009/125/EC and applied the principles to product design processes.
June	2010	UI design artwork (Fun-Quick) received the 2010 iF communication design award.
Aug.	2010	Honored with the Contribution Award and the Invention Award at the 2010 National Invention & Creation Awards.
Oct.	2010	Honored with the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Hsinchu Science Park Innovative Product Award.
Dec.	2010	Honored by Asiamoney Magazine's Corporate Governance Poll as: Overall Best for Investor Relations across Asia; Best Overall for Corporate Governance; Best for Responsibilities of Management and the Board of Directors; Best for Shareholders' Rights and Equitable Treatment; Best for Investor Relations; Best for Disclosure and Transparency; and Best Investor Relations Officer.
April	2011	Obtained IECQ QC 080000 (Hazardous Substance Process Management) and ANSI/ESD S20.20 (Electronic Discharge Control Program) certifications.
June	2011	Published the first edition of the Corporate Social Responsibility report.
Aug.	2011	Smart Shortcut hand-held interface received a reddot award for communication design.
Aug.	2011	Honored with the National HRD InnoPrize.
Sept.	2011	Commenced shipping the Automotive BSD radar system.
Sept.	2011	Honored with the Creation Award at the 2011 National Invention & Creation Awards.
Oct.	2011	Established the Irvine Office for the North American market.
Dec.	2011	Received the Hsinchu Science Park Innovative Product Award (4G Mobile Hotspot) and the R&D Accomplishment Award.

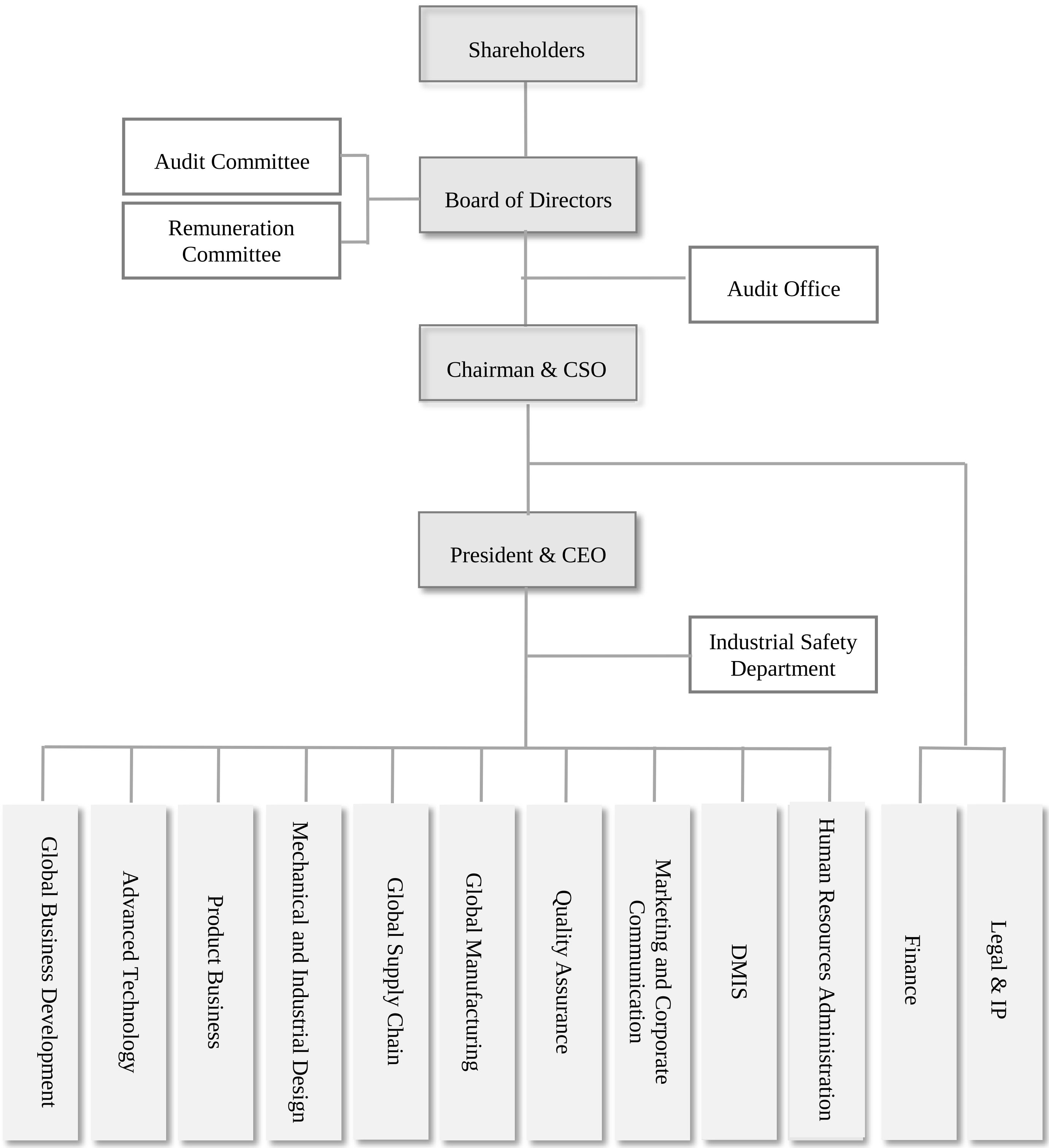
March	2012	Established the New Jersey Office for the North American market.
July	2012	Established the WNC EICC management committee.
Sept.	2012	Won an Invention Award in the 2012 National Invention & Creation Awards.
Dec.	2012	Received the Industrial Development Bureau, Ministry of Economic Affairs Industrial Sustainable Excellence Award and the Hsinchu Science Park R&D Accomplishment Award.
Jan.	2013	4G Mobile Hotspot received the 2013 CES Innovations Design and Engineering Award.
April	2013	Recognized among the 2012 Deloitte Technology Fast500 Asia Pacific
Nov.	2013	Certified as an "Authorized Economic Operator (AEO)" by the Customs Administration, Ministry of Finance, R.O.C.
Nov.	2013	Ranked first in CommonWealth magazine's "Most Admired Company" 2013 survey among telecommunication enterprises in Taiwan.
Dec.	2013	Honored with the Hsinchu Science Park Innovative Product Award (24GHz Automotive BSD Radar) and R&D Accomplishment Award.
March	2014	Obtained TL 9000 (quality management system for the telecommunications industry) certification.
June	2014	The Board elected Mr. Haydn Hsieh to be its Chairman.
June	2014	Established WNC UK Limited in the UK.
Oct.	2014	Obtained ISO/IEC 27001 (information security management system) certification.
Nov.	2014	Honored with the Taiwan Corporate Sustainability Report Award (Bronze Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2014	High Sensitivity RFID Antenna and Reader System received the Hsinchu Science Park Innovative Product Award.
Jan.	2015	Established WNC Japan Inc. in Japan.
March	2015	Obtained ISO/IEC 17025 (general requirements for competence in testing and calibrating laboratory equipment) certification.
April	2015	Obtained FSC^{TM} (Forest Stewardship Council) Chain-of-Custody certification.
June	2015	Selected as a component of the Taiwan Corporate Governance 100 Index and the Taiwan High Salary 100 Index by the Taiwan Stock Exchange Corporation (TWSE).
Aug.	2015	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2015	Honored with the Taiwan Corporate Sustainability Report Award (Silver Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2015	Obtained CNS 15506: 2011 TOSHMS (Taiwan Occupational Safety & Health Management System) certification.
Dec.	2015	Honored with the Hsinchu Science Park R&D Accomplishment Award.
Jan.	2016	24GHz Radar System and Smart Shelf System received the 2016 CES Innovation Award.
April	2016	WNC Hsinchu (S1) plant (on Lihsin Rd. VI of the Hsinchu Science Park) obtained its factory registration certificate on April 25.
June	2016	Honored as a Gold Winner at the 2016 IT World Awards (24GHz Radar System).
July	2016	Honored with the Award for International Trade—Contribution to Primary Market Expansion Award by the Ministry of Economic Affairs.
Aug.	2016	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2016	Honored with the Taiwan Corporate Sustainability Report Award (Silver Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2016	Honored with the Hsinchu Science Park R&D Accomplishment Award.
Dec.	2016	Honored by Asiamoney Magazine's Corporate Governance Poll (across Asia & Taiwan, excluding Japan) as: Best for Responsibilities of Management & the Board of Directors; and Best for Shareholders' Rights & Equitable Treatment.

Aug.	2017	Installed solar panels in the WNC Headquarters in Taiwan and Wistron NeWeb (Kunshan) Corporation in Mainland China.
Aug.	2017	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Oct.	2017	Honored with the Award for International Trade—Contribution to Primary Emerging Market Expansion Award by the Ministry of Economic Affairs.
Nov.	2017	Honored with the Taiwan Corporate Sustainability Report Award (Gold Medal) by the Taiwan Institute for Sustainable Energy.
Dec.	2017	Honored with the Hsinchu Science Park Innovative Product Award (Tri-radio Wi-Fi Smart Router) and R&D Accomplishment Award.
Dec.	2017	Honored with first prize in the "Buying Power: Social Innovation Products and Services Procurement Reward Program" by the Ministry of Economic Affairs.
May	2018	Obtained ISO 50001:2011 (Energy Management System) certification.
Aug.	2018	Honored as a Gold Winner at the 2018 IT World Awards (Tri-radio Wi-Fi Smart Router).
Aug.	2018	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2018	Honored with the Top 50–Platinum Medal at the Taiwan Corporate Sustainability Awards (TCSA) in the Corporate Sustainability Report Awards category by the Taiwan Institute for Sustainable Energy.
Dec.	2018	Commenced shipping the world's first 5G Mobile Hotspot.
Dec.	2018	Honored with the Hsinchu Science Park Innovative Product Award (Ultra-compact Automotive FHD Camera Module) and R&D Accomplishment Award.
Dec.	2018	Honored with first prize in the "Buying Power: Social Innovation Products and Services Procurement Reward Program" by the Ministry of Economic Affairs.
Dec.	2018	Honored by Asiamoney Magazine's Corporate Governance Poll as one of Asia's Outstanding Companies (2018).
Jan.	2019	Established WNC VIETNAM CO., LTD. in Vietnam.
Jan.	2019	WNC Tainan (S2) plant (on Beiyuan 3rd Rd. of the Tainan Science Park) obtained its factory registration certificate on January 31.
Apr.	2019	Ranked by 1111 Job Bank as one of the 20 Companies with the Happiest Employees in 2019: IT & IC Manufacturing.
Aug.	2019	Honored as a Gold Winner at the 2019 IT World Awards (Ultra-compact Automotive HD Camera Module).
Sept.	2019	Honored as one of the Top 50 in Excellence in Corporate Social Responsibility by CommonWealth Magazine in the Large Enterprises group.
Nov.	2019	Honored with the Taiwan Corporate Sustainability Awards (Gold Medal) in the Corporate Sustainability Report Awards category by the Taiwan Institute for Sustainable Energy.
Nov.	2019	Honored with the Outstanding Healthy Workplace Vitality Award in the 2019 National Healthy Workplace Program.
Nov.	2019	Honored with an elite award in the SGS CSR Awards.
Dec.	2019	Honored with second prize in the "Buying Power: Social Innovation Products and Services Procurement Reward Program" by the Ministry of Economic Affairs.

3 Operational Highlights

3.1. Organization Structure

3.1.1. Organizational Chart



3.1.2. Departmental Functions

Department	Main responsibilities
Audit Office	Responsible for internal auditing and evaluation of the company's internal operations
Legal & IP	Legal affairs of the company, contracts, patents, trademarks, technology licensing, IP, and legal consultative services
Finance	Responsible for treasury, financial management, investment, accounting, and tax services
Industrial Safety Department	Safety inspections of WNC's offices and factories, environmental pollution prevention, and safety maintenance
Human Resources Administration	Responsible for the company's management systems, human resources, employee welfare, health and safety, employee training, and general affairs
Digital Management Information Systems	Management and maintenance of WNC's information systems, software, and its network; implementation and improvement of WNC's Industry 4.0 project; formulation of efficient operational procedures and enhancement of these procedures with information-based, digitized tools
Marketing and Corporate Communication	Responsible for compiling business information, marketing strategies, exhibition planning, advertising, Internet marketing activities, and maintaining amicable corporate and investor relations
Quality Assurance	Responsible for quality and reliability assurance, shipping inspection, after-sales service, and ISO quality system implementation and improvement
Global Manufacturing	Raw materials warehouse management, manufacturing, production schedule planning, manufacturing process planning and improvement, outsourcing management, and product inspection and delivery
Global Supply Chain Management	Global material planning, purchasing, logistics support, and supplier quality management
Mechanical and Industrial Design	Product appearance development, mechanical design, and evaluation and supervision of product quality of qualified vendors
Product Business	Market development, order handling, customer and payment management, customer complaint handling, new product planning, and product development, coordination, and control
Advanced Technology Development	New product design and technology development, design, sample production, technology transfers, product improvement, product failure analysis, fixture design/construction, and technical support for marketing departments and customers
Global Business Development	Development of new customers worldwide

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

3.2.1. Information on the Board of Directors

April 21, 2020; Unit: Shares

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Chairman & CSO	R.O.C.	Haydn Hsieh	Male	06/16/2017	3	09/14/2001	5,681,989	1.61	5,988,971	1.53	806,575	0.21	Bachelor's	1. Chairman & CSO of WNC 2. Corporate-shareholder representative on the Wistron Corp. board of directors 3. Director of Apacer Technology Inc. 4. Independent Director of Raydium Semiconductor Corp. 5. Director of aEnrich Technology Corp.
Director; President & CEO	R.O.C.	Jeffrey Gau	Male	06/16/2017	3	10/14/2005	2,509,622	0.71	2,198,284	0.56	452,704	0.12	Ph.D.	1. Director and President & CEO of WNC 2. Corporate-shareholder representative on the Tai-Saw Technology Co., Ltd. board of directors

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Director	R.O.C.	Wistron Corp.	N/A	06/16/2017	3	04/18/2000	85,494,135	24.21	89,674,679	22.98	0	0	N/A	N/A
	R.O.C.	Representative: Frank F.C. Lin	Male				207,636	0.06	207,582	0.05	163,612	0.04	Bachelor’s	1. Chief of Staff of Wistron Corp. 2. Director of Wistron ITS Corp. 3. Director of Wiwynn Corp. 4. Chairman of WiseCap Ltd. 5. Chairman of WLB Ltd. 6. Chairman of WiseCap (Hong Kong) Ltd. 7. Chairman of B-Temia Asia Pte. Ltd. 8. Director of Changing Information Technology Inc. 9. Director of Maya International Co., Ltd. 10. Director of Join-Link International Technology Co., Ltd. 11. Director of Wistron Medical Tech Holding Company 12. Director of Wistron Medical Tech Corporation 13. Director of Wistron Digital Technology Holding Company 14. Director of Pell Bio-Med Technology Co., Ltd. 15. Director of IP Fund Six 16. Supervisor of aEnrich Technology Corp. 17. Director of Hartec Asia Pte. Ltd 18. Director of Hukui Biotechnology Corporation

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Director	R.O.C.	Wistron Corp.	N/A				85,494,135	24.21	89,674,679	22.98	0	0	N/A	N/A
	R.O.C.	Representative: Donald Hwang	Male	06/16/2017	3	04/18/2000	686	0	699	0	0	0	Master's	1. Chief Technology Officer of Wistron Corp. 2. Chairman of Abilliant Corp. 3. Director of WiseCap Ltd. 4. Director of WLB Ltd. 5. Director of Wistron Medical Tech Corp. 6. Director of Wistron Digital Technology Holding Company 7. Director of Wistron Medical Tech Holding Company 8. Director of Maya International Co., Ltd. 9. Director of Free Bionics Taiwan Inc. 10. Director of Apollo Medical Optics, Ltd. 11. Director of AII Holding Corp. 12. Director of Creator Technology B.V. 13. Director of Wistron Mobile Solutions Corp. 14. Director of Tube Inc. 15. Director of Free Bionics, Inc. 16. Director of Apollo Medical Optics Inc. 17. Director of B-TEMIA INC. 18. Director of U.S. Bionics Inc. 19. Director of Hiroia Communications Pte. Ltd.
Director	R.O.C.	Max Wu	Male	06/16/2017	3	08/26/2002	0	0	0	0	0	0	Bachelor's	1. Director of Novatek Microelectronics Corp. 2. Independent Director of Apacer Technology Inc. 3. Independent Director of Harvatek Corp. 4. Supervisor of Antec, Inc. 5. Director of YODN Lighting Corp. 6. Independent Director of Gigastone Corp. 7. Chairman of Birch Venture Capital

Title	Nationality or place of registration	Name	Gender	Date elected	Term (yrs)	Date first elected	Shareholding when elected		Current shareholding		Shares held by their Spouses and/or minor children		Education	Selected current positions
							Shares	%	Shares	%	Shares	%		
Director	R.O.C.	Philip Peng	Male	06/16/2017	3	06/23/2005	122,826	0.03	129,007	0.03	0	0	Master's	1. Director of Wistron Corp. 2. Director of Wistron ITS Corp. 3. Corporate-shareholder representative on the Acer Inc. board of directors 4. Corporate-shareholder representative on the AOPEN Inc. board of directors 5. Independent Director of AU Optronics Corp. 6. Independent Director of Apacer Technology Inc. 7. Chairman of Smart Capital Corp. 8. Director & President of iD SoftCapital Inc.
Independent Director	R.O.C.	Robert Hung	Male	06/16/2017	3	06/17/2011	0	0	0	0	0	0	Master's	1. Independent Director of TSRC Corp.
Independent Director	R.O.C.	Neng-Pai Lin	Male	06/16/2017	3	06/10/2015	0	0	0	0	0	0	Ph.D.	1. Independent Director of Darfon Electronics Corp. 2. Independent Director of AcBel Polytech Inc. 3. Chairman of Taishin Securities Investment Advisory (TSIA) Co., Ltd. 4. Director of Teco Image Systems, Inc.
Independent Director	R.O.C.	Karen Hsin	Female	06/16/2017	3	06/16/2017	0	0	0	0	0	0	Master's	1. Consultant of YQY Accounting Firm

Note 1: Directors holding WNC shares in another's name: None
Note 2: Directors whose spouses or relative within the second degree of kinship are managers or directors: None
Note 3: Chairman and president or person holding an equivalent position (highest-level executive officer) of WNC are the same person, or are spouses, or are within the first degree of kinship: None

Note 1: Major Shareholders of Wistron NeWeb Corporation's Institutional Shareholders

April 20, 2020

Name	Major shareholders	Percentage (%)
Wistron Corporation	Yuanta Taiwan Dividend Plus ETF	1.99
	Norges Bank	1.97
	Acer Incorporated	1.93
	JPMorgan Chase Bank N.A., Taipei Branch, in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.78
	Lin, Hsien-Ming	1.53
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.45
	Management Board of the Public Service Pension Fund	1.41
	Labor Pension Fund (New Scheme)	1.34
	Dimensional Emerging Markets Value Fund	1.09
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Authority	1.03

Note 2: Major Shareholders of the Institutional Shareholders Listed in the above Table

April 14, 2020

Name	Major shareholders	Percentage (%)
Acer Incorporated	Hung Rouan Investment Corp.	2.39
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.76
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.39
	Stan Shih	1.14
	Management Board of Public Service Pension Fund	1.13
	Acer GDR	0.94
	Acer Incorporated	0.88
	Polunin Developing Countries Fund, LLC	0.76
	iShares MSCI Taiwan ETF	0.76
	iShares Core MSCI Emerging Markets ETF	0.75

Professional Qualifications and Independence Analysis of Directors

April 21, 2020

Criteria / Name	Meets one of the following professional qualification requirements, together with at least five years' work experience			Independence criteria (Note)												Number of other public companies in which the individual is concurrently serving as an independent director
	An educator having a position of instructor or higher at a public or private college or university in a department of commerce, law, finance, accounting, or other academic department related to the business needs of WNC	A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been certified in a profession necessary for the business of WNC	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of WNC	1	2	3	4	5	6	7	8	9	10	11	12	
Haydn Hsieh			✓	–	–	–	✓	–	✓	✓	✓	✓	✓	✓	✓	1
Wistron Corp. Representative: Frank F.C. Lin			✓	–	–	✓	✓	–	✓	✓	✓	✓	✓	✓	–	0
Wistron Corp. Representative: Donald Hwang			✓	–	–	✓	✓	–	✓	✓	✓	✓	✓	✓	–	0
Jeffrey Gau			✓	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Max Wu			✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Philip Peng			✓	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Robert Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Neng-Pai Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Karen Hsin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

(1) Not an employee of WNC or any of its affiliates.

(2) Not a director or supervisor of WNC or any of its affiliates. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of WNC or ranks as one of its top 10 shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of an executive officer in subparagraph (1) or any of the persons in subparagraphs (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of WNC or who holds shares ranking in the top five holdings, or who designates a representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, or employee of a company in which a majority of that company's director seats or voting shares and those of WNC are controlled by the same person. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC or its parent, subsidiary, or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of a company or institution in which the chairman, general manager, or person holding an equivalent position and a person in any of those positions at WNC are the same person or are spouses. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)

(8) Not a director, supervisor, executive officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with WNC. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws or regulations of the local country, and currently serving as such at WNC or its parent, subsidiary, or a subsidiary of the same parent, and if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of WNC.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or executive officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to WNC or any affiliate of WNC for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of WNC.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) Not a governmental, legal entity, nor representative thereof as defined in Article 27 of the Company Law.

3.2.2. President, Vice President, Associate Vice Presidents, and Key Managers Background Information

April 21, 2020; Unit: Shares

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Chairman & CSO	R.O.C.	Haydn Hsieh	Male	06/14/2000	5,988,971	1.53	806,575	0.21	Bachelor’s	1. Corporate-shareholder representative on the Wistron Corp. board of directors 2. Director of Apacer Technology Inc. 3. Independent Director of Raydium Semiconductor Corp. 4. Director of aEnrich Technology Corp.
Director; President & CEO	R.O.C.	Jeffrey Gau	Male	01/01/2008	2,198,284	0.56	452,704	0.12	Ph.D.	1. Corporate-shareholder representative on the Tai-Saw Technology Co., Ltd. board of directors
Executive Vice President & General Manager of the Business Group	R.O.C.	Larry Lee	Male	08/16/2005	551,039	0.14	70,572	0.02	Master’s	None
Senior Vice President & General Manager of the Business Group	R.O.C.	Fayu Chen	Male	04/07/2008	423	0	299,581	0.08	Ph.D.	None
Vice President & General Manager of the Business Group	R.O.C.	Johnson Hsu	Male	02/05/2010	525,585	0.13	125,000	0.03	Master’s	None
Vice President	R.O.C.	Bird Huang	Male	02/05/2010	147,366	0.04	0	0	Master’s	None
Vice President	R.O.C.	Ray Lee	Male	02/01/2006	435,614	0.11	0	0	Bachelor’s	None
Vice President	R.O.C.	Chris Hwang	Male	01/05/2017	266,585	0.07	0	0	Master’s	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Vice President	R.O.C.	TJ Chen	Male	02/05/2010	220,897	0.06	592	0	Ph.D.	None
Vice President	R.O.C.	Apollo Shyong	Male	04/05/2012	425,853	0.11	0	0	Master’s	None
Vice President	R.O.C.	Joseph Chi	Male	11/08/2017	20,200	0.01	0	0	Ph.D.	None
Vice President	R.O.C.	Repus Hsiung (Note 1)	Male	04/05/2018	0	0	0	0	Master’s	None
General Plant Manager	R.O.C.	Hugo Chen (Note 2)	Male	08/05/2019	212,081	0.05	0	0	Master’s	None
Chief Financial Officer	R.O.C.	Jona Song	Female	01/01/2002	688,982	0.18	0	0	Bachelor’s	None
Chief Supply Chain Officer	R.O.C.	Amy Hsu	Female	11/08/2017	113,778	0.03	0	0	Bachelor’s	None
Chief Technology Officer	R.O.C.	Horen Chen	Male	11/05/2013	1,182,913	0.30	0	0	Ph.D.	None
Associate Vice President	R.O.C.	Owen Tai	Male	01/05/2018	40,800	0.01	0	0	Bachelor’s	None
Associate Vice President	R.O.C.	Robin Wu	Male	04/05/2018	110,520	0.03	10,510	0	Master’s	None
Associate Vice President	R.O.C.	Jack YC Liu	Male	10/05/2018	21,508	0	0	0	Ph.D.	None
Associate Vice President	R.O.C.	CW Sheu	Male	10/05/2018	175,311	0.04	0	0	Master’s	None
Associate Vice President	R.O.C.	David Tsai	Male	01/05/2019	202,789	0.05	0	0	Master’s	None

Title	Nationality	Name	Gender	Date assumed office	Shares held		Shares held by their spouses and/or minor children		Education	Selected current positions in other companies
					Shares	%	Shares	%		
Associate Vice President	R.O.C.	ChingLung Chen (Note 3)	Male	03/11/2020	0	0	0	0	Ph.D.	None
General Plant Manager	R.O.C.	Andrew Wong (Note 2)	Male	12/01/2009	-	-	-	-	Bachelor's	None

1. Executive officers holding WNC shares in another's name: None
2. Executive officers whose spouses, parents, or other relatives within the second degree of kinship are managers or directors: None
3. Chairman and president or person holding an equivalent position (highest-level executive officer) of WNC are the same person, or are spouses, or are within the first degree of kinship: None

Note 1: Mr. Repus Hsiung was promoted to Vice President on March 11, 2020.

Note 2: Mr. Hugo Chen was promoted to General Plant Manager on August 5, 2019. Mr Andrew Wong served as General Plant Manager until August 5, 2019.

Note 3: Mr. ChingLung Chen was promoted to Associate Vice President on March 11, 2020.

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

■ Remuneration of Directors and Independent Directors

Dec. 31, 2019; Unit: Thousand NT$

Title	Name	Remuneration: Base compensation (A): From WNC	Remuneration: Base compensation (A): From all companies in the consolidated financial statements	Remuneration: Severance pay and pensions (B): From WNC	Remuneration: Severance pay and pensions (B): From all companies in the consolidated financial statements	Remuneration: Directors' profit-sharing bonuses (C): From WNC	Remuneration: Directors' profit-sharing bonuses (C): From all companies in the consolidated financial statements	Remuneration: Payment for professional practice (D): From WNC	Remuneration: Payment for professional practice (D): From all companies in the consolidated financial statements	Ratio of total remuneration (A+B+C+D) to net income (%): From WNC	Ratio of total remuneration (A+B+C+D) to net income (%): From all companies in the consolidated financial statements	Relevant remuneration received by Directors who are also employees: Salary, bonuses, and allowances (E): From WNC	Salary, bonuses, and allowances (E): From all companies in the consolidated financial statements	Severance pay and pensions (F): From WNC	Severance pay and pensions (F): From all companies in the consolidated financial statements	Employees' profit-sharing bonuses (G): From WNC: Cash	Employees' profit-sharing bonuses (G): From WNC: Stock	Employees' profit-sharing bonuses (G): From all companies in the consolidated financial statements: Cash	Employees' profit-sharing bonuses (G): From all companies in the consolidated financial statements: Stock	Ratio of Total remuneration (A+B+C+D+E+F+G) to net income (%) (Note 2): From WNC	Ratio of Total remuneration (A+B+C+D+E+F+G) to net income (%) (Note 2): From all companies in the consolidated financial statements	Compensation received from non-consolidated affiliates or parent company
Chairman	Haydn Hsieh	0	0	0	0	7,145	7,145	300	300	0.51	0.51	51,119	51,119	203	203	(Note 1)	0	(Note 1)	0	4.02	4.02	35,134
Director	Jeffrey Gau																					
	Wistron Corp. Representative: Frank F. C. Lin																					
	Wistron Corp. Representative: Donald Hwang																					
	Max Wu																					
	Philip Peng																					
Independent Director	Robert Hung	0	0	0	0	6,300	6,300	150	150	0.44	0.44	0	0	0	0	0	0	0	0	0.44	0.44	0
	Neng-Pai Lin																					
	Karen Hsin																					

*Please state the policy, system, standards and structure of remunerations paid to independent directors, and describe the relevance between the directors' remunerations and factors such as their responsibilities, risks, and time invested:

1. The remunerations paid to WNC's independent directors are based on their respective degree of participation in WNC's operations, the risks they assume, and the amount of time they invest in WNC's operations. The general pay levels in the industry are also taken into consideration.
2. As the independent directors also assume roles on the audit committee and the remunerations committee and need to participate in the discussions and resolutions of committee meetings in accordance with the regulations governing the committees, their remunerations are paid no matter whether WNC is experiencing a profit or loss.

*Except for the remuneration listed in the above table, the remuneration that directors received by offering services (such as serving as a consultant instead of an employee) for companies in the financial statements: None

Note 1: Not available because the list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; if the percentage used last year is adopted, the estimated bonus will be NT$4.063 million in cash.

Note 2: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' profit-sharing bonuses" are excluded from the calculation for this column.

Range of Remuneration

Range of remuneration	Name of Director			
	Total of (A+B+C+D)		**Total of (A+B+C+D+E+F+G) (Note 10)**	
	From WNC	**From all companies in the financial statements (H)**	**From WNC**	**From WNC and its non-consolidated affiliates (I)**
Under NT$1,000,000	2 directors (Note 1)	Same as the column to the left	2 directors (Note 1)	
NT$1,000,000 – NT$1,999,999	4 directors (Note 2)	Same as the column to the left	3 directors (Note 4)	Same as the column to the left
NT$2,000,000 – NT$3,499,999	4 directors (Note 3)	Same as the column to the left	3 directors (Note 5)	Same as the column to the left
NT$3,500,000 – NT$4,999,999				
NT$5,000,000 – NT$9,999,999				
NT$10,000,000–NT$14,999,999				1 director (Note 6)
NT$15,000,000–NT$29,999,999			1 director (Note 7)	2 director (Note 8)
NT$30,000,000–NT$49,999,999			1 director (Note 9)	Same as the column to the left
NT$50,000,000–NT$99,999,999				
Over NT$99,999,999				
Total	10	10	10	10

Note 1: Wistron Corp. Representatives Frank F. C. Lin and Donald Hwang
Note 2: Jeffrey Gau, Max Wu, Philip Peng, Karen Hsin
Note 3: Wistron Corp., Haydn Hsieh, Robert Hung, Neng-Pai Lin
Note 4: Max Wu, Philip Peng, Karen Hsin
Note 5: Wistron Corp., Robert Hung, Neng-Pai Lin
Note 6: Wistron Corp. Representatives Donald Hwang
Note 7: Haydn Hsieh
Note 8: Wistron Corp. Representatives Frank F. C. Lin, Haydn Hsieh
Note 9: Jeffrey Gau
Note 10: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' profit-sharing bonuses" are excluded from the calculation for this column.

- **Supervisors' remuneration:** N/A

  Range of Remuneration: N/A

■ Remuneration of the Chairman, President and Vice Presidents

Dec. 31, 2019; Unit: Thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance pay and pensions (B)</th><th colspan="2">Bonuses and allowances (C)</th><th colspan="4">Employees' profit-sharing bonuses (D)</th><th colspan="2">Ratio of total remuneration (A+B+C+D) to Net Income (%) (Note 2)</th><th rowspan="3">Compensation received from non-consolidated affiliates or parent company</th></tr>
<tr><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the financial statements</th><th colspan="2">From WNC</th><th colspan="2">From all companies in the consolidated financial statements</th><th rowspan="2">From WNC</th><th rowspan="2">From all companies in the financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman & CSO</td><td>Haydn Hsieh</td><td rowspan="11">35,329</td><td rowspan="11">35,329</td><td rowspan="11">1,466</td><td rowspan="11">1,466</td><td rowspan="11">103,493</td><td rowspan="11">103,493</td><td rowspan="11">(Note1)</td><td rowspan="11">0</td><td rowspan="11">(Note1)</td><td rowspan="11">0</td><td rowspan="11">9.60</td><td rowspan="11">9.60</td><td rowspan="11">None</td></tr>
<tr><td>Director;
President & CEO</td><td>Jeffrey Gau</td></tr>
<tr><td>Executive Vice President & General Manager of the Business Group</td><td>Larry Lee</td></tr>
<tr><td>Senior Vice President & General Manager of the Business Group</td><td>Fayu Chen</td></tr>
<tr><td>Vice President & General Manager of the Business Group</td><td>Johnson Hsu</td></tr>
<tr><td>Vice President</td><td>Bird Huang</td></tr>
<tr><td>Vice President</td><td>Ray Lee</td></tr>
<tr><td>Vice President</td><td>Chris Hwang</td></tr>
<tr><td>Vice President</td><td>TJ Chen</td></tr>
<tr><td>Vice President</td><td>Apollo Shyong</td></tr>
<tr><td>Vice President</td><td>Joseph Chi</td></tr>
</table>

Note 1: Not available because the list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; if the percentage used last year is adopted, the estimated bonus will be NT$10.073 million in cash.

Note 2: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Employees' profit-sharing bonuses" are excluded from the calculation for this column.

Range of Remuneration

Range of remuneration	Name of Executive (Note 4)	
	From WNC	From all companies in the financial statements
Under NT$1,000,000		
NT$1,000,000–NT$1,999,999		
NT$2,000,000–NT$3,499,999		
NT$3,500,000–NT$4,999,999		
NT$5,000,000–NT$9,999,999	6 executives (Note 1)	Same as the column to the left
NT$10,000,000–NT$14,999,999	1 executive (Note 2)	Same as the column to the left
NT$15,000,000–NT$29,999,999	4 executives (Note 3)	Same as the column to the left
NT$30,000,000–NT$49,999,999		
NT$50,000,000–NT$99,999,999		
Over NT$99,999,999		
Total	11	11

Note 1: Bird Huang, Ray Lee, Chris Hwang, Joseph Chi, TJ Chen, Apollo Shyong
Note 2: Johnson Hsu
Note 3: Haydn Hsieh, Jeffrey Gau, Larry Lee, Fayu Chen
Note 4: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report; "Profit-Sharing Employee Bonuses" are excluded from the calculation for this column.

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

Dec. 31, 2019; Unit: Thousand NT$

Title	Name	Stock (Fair Market Value)	Cash (Note 5)	Total	Ratio of total amount to net income (%)
Chairman & CSO	Haydn Hsieh	0	14,830	14,830	1.01
Director; President & CEO	Jeffrey Gau				
Executive Vice President & General Manager of Business Group	Larry Lee				
Senior Vice President & General Manager of Business Group	Fayu Chen				
Vice President & General Manager of Business Group	Johnson Hsu				
Vice President	Bird Huang				
Vice President	Ray Lee				
Vice President	Chris Hwang				
Vice President	TJ Chen				
Vice President	Apollo Shyong				
Vice President	Joseph Chi				
Associate Vice President	Repus Hsiung (Note 1)				
General Plant Manager	Hugo Chen (Note 2)				
Chief Financial Officer	Jona Song				
Chief Supply Chain Officer	Amy Hsu				
Chief Technology Officer	Horen Chen				
Associate Vice President	Owen Tai				
Associate Vice President	Robin Wu				
Associate Vice President	Jack YC Liu				
Associate Vice President	CW Sheu				
Associate Vice President	David Tsai (Note 3)				
General Plant Manager	Andrew Wong (Note 2)				

Note 1: Mr. Repus Hsiung was promoted to Vice President on March 11, 2020
Note 2: Mr. Hugo Chen was promoted to General Plant Manager on August 5, 2019. Mr Andrew Wong served as General Plant Manager until August 5, 2019.
Note 3: Mr. David Tsai was promoted to Associate Vice President on January 5, 2019
Note 4: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report. The table is an estimation based on the percentage used last year.

3.2.4. Analysis and Comparison of the Ratio of Total Remuneration Paid by WNC and by All Companies Included in the Consolidated Financial Statements for the Two Most Recent Fiscal Years to Directors, Supervisors, Presidents, Vice Presidents, etc. to Net Income of the Parent Company Only, and the Analysis of the Remuneration Policy, Standards and Portfolios, Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks:

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

Titles	Ratio of total remuneration to net income of the parent company only (%)	
	2019	2018
Directors	0.95	0.86
Presidents and Vice Presidents	9.6 (Note)	8.5

Note: The list for the distribution of employees' profit-sharing bonuses was not determined as of the completion date of the annual report. Employees' profit-sharing bonuses are excluded from the calculation for this column.

- Payment policies for directors' and employees' profit-sharing bonuses are specified in Article 18 of WNC's "Articles of Incorporation": "If WNC shows an annual profit (the profit herein indicates the pretax profit without deducting the profit-sharing bonuses for employees and directors), the profit will be appropriated in accordance with the following. However, the amount to make up any accumulated losses shall be set aside:
  (1) No less than 5% as employee profit-sharing bonuses; where such profit-sharing bonuses are distributed by shares or as cash, employees' of controlled companies, with qualifications set by the Board of Directors, can be included;
  (2) No more than 1% as directors' profit-sharing bonuses in cash".
- WNC's remuneration for directors is determined with reference to the company's overall operating performance, potential management risks and development trends of the industry, and reasonable compensation is paid on the basis of directors' participation in and contribution to the company's operations. The relevant performance appraisals and remuneration rationale have been reviewed by the Remuneration Committee and the Board of Directors, and the remuneration scheme will be reviewed depending on the actual operating conditions and relevant laws in order to maintain a balance between the company's sustainable operation and risk management.
- WNC's remuneration for executive officers includes regular payments such as salaries, fixed bonuses, and other welfare and variable items such as performance-related bonuses, employees' profit-sharing bonuses (in cash and/or stock), stocks (RSA/treasury stocks), and stock options. Regular payments are determined based on the average levels within the industry to maintain WNC's competitiveness. Payment of variable items is determined based on WNC's profit performance and the performance of each employee. A higher ratio of variable items to annual remuneration indicates a better performance of WNC and each employee. Performance evaluations are conducted based on the achievement rate of annual operation goals, profit rate, growth rate, operation benefits, and future potential. The evaluation standards, goals, and weighting are specified at the beginning of each year based on the internal and external operating environment. Issuance of variable items shall be determined according to evaluation results and the current remuneration status of related industries and shall be assessed and approved by the Remuneration Committee before requesting the Board's approval before issuing the variable items.

3.3. Corporate Governance

3.3.1. Board of Directors Meeting Attendance Record

A total of five board meetings were held in 2019. The directors' attendance record is as follows.

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Chairman	Haydn Hsieh	5	0	100	
Director	Wistron Corp. Representative: Frank F.C. Lin	5	0	100	
Director	Wistron Corp. Representative: Donald Hwang	5	0	100	
Director	Jeffrey Gau	5	0	100	
Director	Max Wu	5	0	100	
Director	Philip Peng	5	0	100	
Independent Director	Robert Hung	5	0	100	
Independent Director	Neng-Pai Lin	5	0	100	
Independent Director	Karen Hsin	5	0	100	

To implement corporate governance, improve the function of the Board of Directors, and enhance its operational efficiency, WNC passed the Regulations Governing Board Performance Evaluation on March 14, 2018. This specifies that performance evaluation of the Board should be conducted annually and that, starting from 2019, functional committees should be included in the scope of the Board of Directors' annual performance.

3.3.2. Audit Committee Meeting Attendance Record

The WNC Audit Committee comprises all three independent directors as its committee members. The committee shall convene a meeting each season before the Board of Directors meets to review WNC internal control systems, the implementation of internal audits, and any significant financial operations to practically supervise enterprise operations and provide risk control. The committee will communicate with Certified Public Accountants.

Review items in 2019 included:

- Reviewing financial reports quarterly and annually
- Modifying the internal control system and assessing its effectiveness
- Reviewing significant asset transactions and investment cases
- Reviewing issuance of equity-type securities
- Amending procedures for the acquisition or disposal of assets
- Amending procedures governing loaning of funds
- Amending procedures governing endorsements and guarantees
- Reviewing CPA appointments and remuneration
- Reviewing the auditing plans for 2020

Audit Committee Members Attendance Status

A total of four Audit Committee meetings were held in 2019:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Independent Director	Robert Hung	4	0	100	
Independent Director	Neng-Pai Lin	4	0	100	
Independent Director	Karen Hsin	4	0	100	

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

- Communications between the independent directors and the internal auditors

The independent directors periodically receive audit reports. The internal auditors have presented the findings of these audit reports, and communicated with the members of the Audit Committee regarding the audit results and the status of execution at the quarterly meetings of the Audit Committee.

Results: Communication matters between the independent directors and the internal auditors were reviewed or approved by the Audit Committee, with no objections from the independent directors.

- Communications between the independent directors and the CPAs:

The CPAs have presented to and effectively communicated with the independent directors the findings of the quarterly review and audit results on corporate finances at the quarterly meetings of the Audit Committee.

Results: The 2018 and 2019 quarterly financial statements have been reviewed and approved by the Audit Committee and reported to the Board of Directors, with no objections from the independent directors.

3.3.3. Corporate Governance and the Discrepancies Between Actual Corporate Governance and the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reason for the Discrepancy

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Discrepancies /reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1. Does the company establish and disclose its own corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?</td><td>✓</td><td></td><td>WNC has established its corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and has disclosed the principles through the Market Observation Post System (MOPS). The principles are established for carrying out corporate governance and to maximize shareholder profits and sustainability in corporate operations.</td><td>None</td></tr>
<tr><td>2. Shareholding structure and shareholders' rights
(1) Does the company establish an internal process for handling shareholders' proposals, questions, disputes, and lawsuits?
(2) Does the company maintain information on the identities of major shareholders and their ultimate controlling persons?
(3) Does the company establish and implement a risk control mechanism and firewalls between the company and its affiliates?
(4) Does the company establish internal regulations to prevent insider trading?</td><td>✓
✓
✓
✓</td><td></td><td>(1) WNC has designated the Shareholder Services Office (TEL: +886-2-6600-7998) to handle shareholders' proposals and disputes.
(2) WNC maintains lists of the major shareholders and their ultimate controlling persons. Changes in the amount of shares held by its directors, officers, and major shareholders are disclosed regularly according to government regulations.
(3) WNC has established the appropriate risk control mechanisms and firewalls according to regulations and internal rules, such as "Regulations Governing Supervision and Management of Subsidiaries," "Procedures Governing Endorsements and Guarantees," "Procedures Governing Loaning of Funds," and "Procedures for Acquisition or Disposal of Assets."
(4) WNC has established procedures to control the disclosure of material information and to prevent insider trading.
WNC conducts annual training in April for all its staff on maintaining financial order. The courses include topics such as avoiding conflicts of interest and prohibiting insider trading. WNC provides information on related stipulations to newly elected directors and executive officers to raise their awareness and sends e-mail messages to remind them of the disclosure of important financial information.</td><td>None</td></tr>
<tr><td>3. Composition and duties of Board of Directors
(1) Does the Board of Directors establish and implement plans to diversify the composition of its members?
(2) Does the company spontaneously set up functional committees other than the Remuneration Committee and Audit Committee required by law?</td><td>✓
✓</td><td></td><td>(1) WNC has established, in the WNC Corporate Governance Best-Practice Principles, and implemented a diversification policy for the composition of the Board. Suitable directors are selected according to their diverse professional competencies and experience. The current Board of Directors is composed of nine independent directors (one of whom is female). The directors have profound experience and expertise in the fields of technology, finance, law, and management. Please refer to Note 1 and Note 2 for the specific management objectives and implementation of a diversification policy for board members.</td><td>None</td></tr>
</table>

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
(3) Does the company establish performance evaluation measures/methods for the Board of Directors and conduct regular, annual evaluations, report the performance evaluation results to the Board of Directors, and use such as a reference for the remuneration and nomination for a second term for each independent director? (4) Does the company conduct regular evaluation of the independence of the CPA?	✓ ✓		(2) Other than the Remuneration Committee and Audit Committee required by law, WNC has also set up the RBA Management Committee as a functional committee to implement Responsible Business Alliance (here after referred to as "RBA") and CSR related measures. (3) To strengthen corporate governance, enhance the functions of the Board of Directors, and improve the efficiency of the Board, WNC has established the "Regulations Governing the Board Performance Evaluation," based on which the Board conducts an annual performance evaluation for the Board (including functional committees). The evaluation period runs from January 1 to December 31 of any given year. WNC completed the 2019 performance evaluation for the Board (including functional committees) on February 24, 2020. The secretariat of the Board conducted internal and member evaluation on the aspects of "Overall Board of Directors", "Members of the Board", and "Functional Committees". The evaluation indicators include the degree of participation in WNC's operations, quality of decision-making , the perception of the responsibilities of the Board members, the composition and structure of the Board, internal controls, the election and continued learning of the Directors, understanding of WNC's mission and goals, internal relationship management, and communications. The evaluation results are divided into three levels: exceeds standards, meets standards, and to be improved. The performance evaluations for the 2019 Board and for the functional committees were "exceeds standards" and the results were submitted to the Board on March 11, 2020, to serve as a reference for the Board's continuous improvements of its functions, remuneration setting for the Board and the functional committees, and nomination for directors to serve the next term. (4) WNC's Audit Committee and the Board of Directors annually evaluate the independence and competence of the CPA, and request the CPA submit a Confirmation Letter of Independence every year to ensure that they are not involved in other financial interests or business relationships except for matters relating to the attestation fees and the finance/taxation audit service fees paid by WNC. The CPA shall only be recruited and be involved in the audits after confirmation of their corporate family members' compliance with the related independence requests.	
4. Does the company assign an appropriate number of competent personnel and appoint a corporate governance manager to be in charge of corporate governance affairs (including but not limited to	✓		WNC's Finance Division is currently in charge of corporate governance affairs with the company's CFO being the supervisor. In accordance with legal requirements, WNC will complete the appointment of a corporate governance manager by the end of June, 2021. The manager will be responsible for furnishing information required for business execution by directors, monitoring awareness and compliance with relevant regulations, producing minutes of	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
furnishing information required for business execution by directors and supervisors, assisting directors and supervisors in legal compliance, handling matters relating to board meetings and shareholders' meetings according to the law, and producing minutes of board meetings and shareholders' meetings)?			board meetings and shareholders' meetings, and assisting onboarding and continuous development of directors. The new corporate governance manager shall complete the required courses in accordance with applicable laws within one year of assuming office. 2019 corporate governance affairs handled by the Finance Division: 1. Helped furnish information required for business execution by directors, and arranged required courses. 2. Helped with matters relating to board meetings and shareholders' meetings, and compliance with relevant regulations. 3. Gave seven days' notice prior to each board meeting, convened meetings and prepared meeting information. Reminded directors ahead of time when there were conflict of interest issues. Produced meeting minutes within 20 days of each board meeting. 4. In accordance with applicable laws, completed shareholders' meeting registration, meeting notices, handbooks and minutes before their respective deadlines.	
5. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), create a stakeholders section on its company website, and respond to stakeholders' questions on corporate responsibilities?	✓		WNC has established the appropriate communication channels with suppliers, customers, banks, investors, and other stakeholders to closely follow issues of concern to stakeholders. Communication between various types of stakeholders are included in the "CSR implementation plans and achievements" proposal and submitted to the Board on a regularly basis every year. For more details please refer to the stakeholder communication section of WNC's 2019 CSR report and the CSR page of WNC's website.	None
6. Does the company engage a professional agency to handle shareholder services relating to the annual shareholders' meeting?	✓		WNC has a shareholder services office providing shareholder services relating to the annual shareholders' meeting.	None
7. Disclosure of information (1) Does the company utilize a website to disclose finance, operational, and corporate information? (2) Are there other means of disclosing information (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors' conference)?	✓ ✓ ✓		(1) WNC has set up a website with information on finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations. (2) WNC has information disclosed on both the Chinese-language and English-language websites, and has assigned Ms. Jona Song (CFO) as the chief spokesperson and Ms. Molly Lin (Associate Vice President) as the acting spokesperson to handle information collection and disclosure. (3) WNC announces and registers with the Competent Authority its financial reports, quarterly financial results, and the operating status each month on the Market Observation Post System (MOPS) before the specified	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
(3) Does the company publicly announce and register with the Competent Authority its financial reports within two months of the close of each fiscal year, and announce and register with the Competent Authority its first, second, and third quarter's financial results and the operating status of each month before the specified deadline?			deadline and uploads the same information on the company website.	
8. Are there other important discourses that help shareholders to understand the enforcement of corporate governance of the company (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors)?	✓		(1) The recruitment policies of WNC conform to government regulations. All employees have equal rights and development opportunities in WNC. (2) WNC signs purchasing contracts with suppliers to protect mutual rights. Those contracts signed since October 2013 include a compliant statement to meet WNC's Supplier CSR relevant regulations. (3) In 2019, each member of WNC's Board of Directors attended relevant training courses. (4) WNC establishes internal management systems based on laws and regulations to conduct risk management. Internal audit personnel also conduct regular audits for WNC's risk management. (5) WNC maintains stable and close relationships with customers to obtain stable and reasonable profits. (6) WNC has purchased liability insurance for Directors and other key employees. (7) When conducting succession planning and selecting succession candidates for board members, WNC takes into account future strategy development and operation plans, diversity requirements for member composition, and the background diversity and independence standards for board members, which include factors such as professional knowledge, technical know-how, experience, and gender. WNC organizes regular talent development meetings in accordance with its three to five year strategic and operational plans to assess its talent inventory, with the aim of establishing talent development strategies and talent selection/cultivation/retention plans for personnel (and their successors) in key positions. Reviews and discussions on talent development progression are also regularly conducted. To improve the skills of high-ranking managers, WNC has worked with specialists and academics from outside WNC and conducted industry benchmarking to enable its high-ranking managers to look at diverse/dynamic	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
			competition from strategic perspectives. In addition, WNC has implemented individual development plans (IDP) and on-boarding plans, established a learning platform (training provided by the platform includes designating people to lead important integrated projects, manage overseas branches, and participate in board meetings), provided one-on-one instruction, and organized high-level external training courses for high-ranking managers, with the goal of helping them develop high-level professional management and leaderships skills and assisting them in their new work responsibilities. (8) WNC formulates “Intellectual property rights management measures, “Invention and innovation incentive measures”, and Product development documents, project and patent incentive measures”. We encourage employees to research, innovate, and file patent applications to protect their R&D findings during the course of product development. In addition, business units and R&D units include the number of patent applications as employees’ key performance indicators, and tie operating objectives into intellectual property. Also, WNC establishes a patent management system for processes such as patent application management, approval, and effectiveness evaluation. Each year the patent review committee selects remarkable patents and publicly praises the awardees to encourage employees’ R&D efforts and innovation. (9) For more details, please refer to WNC’s CSR report.	

9. Please describe the improvements made in response to the most recent corporate governance assessment results published by the Taiwan Stock Exchange and provide the priority items and measures for deficiencies that are not yet addressed.
   (1) WNC has conducted a corporate governance self-assessment for year 2019 based on the regulations of the Taiwan Stock Exchange. The results indicate that WNC’s performance ranked among the top 6% to 20% of all companies.
   (2) Starting 2019, WNC included functional committees into the scope of the Board’s annual performance evaluation. The 2019 performance evaluation for the Board (including functional committees) was completed in February 2020, and the results were submitted to the Board.
   (3) WNC will add one independent director seat during the election of directors at the 2020 annual shareholders’ meeting.
   (4) WNC is expected to complete the appointment of a corporate governance manager, after approval by the Board, by the end of June, 2021.
   (5) WNC will continue to cooperate with the competent authorities with regard to implementation and improvement of the corporate governance assessment in the future.

Note 1: The management goals stated in WNC's diversification policy for its Board of Directors and the implementation status of these goals are listed in the table below:

Goals	Status of achievement
The number of directors who concurrently serve as executive officers in WNC does not exceed one-third of the total number of directors.	Goal achieved
At least one board member is female.	Goal achieved
Independent board members do not serve for more than three terms.	Goal achieved
There are board members with inter-disciplinary expertise.	Goal achieved
The number of independent board members exceeds the number stipulated by law.	A seat for an additional independent director will be added during the 10th Board of Directors' election.

Note 2: Diversification of the Board of Directors

Name	Title	Gender	Areas of proficiency		
			Industry/technology	Finance	Law
Haydn Hsieh	Chairman	Male	✓		
Jeffrey Gau	Director	Male	✓		
Frank F.C. Lin	Director, Wistron Corp. Representative	Male	✓	✓	
Donald Hwang	Director, Wistron Corp. Representative	Male	✓		
Philip Peng	Director	Male	✓	✓	
Max Wu	Director	Male	✓		
Robert Hung	Independent Director	Male	✓	✓	
Neng-Pai Lin	Independent Director	Male	✓		
Karen Hsin	Independent Director	Female	✓	✓	✓

3.3.4. Composition, Responsibilities, and Operations of the Remuneration Committee

WNC established its Remuneration Committee after the Board of Directors passed a resolution on October 26, 2011. The Committee is responsible for constructing and regularly reviewing the policies, systems, standards, and structure of the performance evaluation and the directors' and executive officers' remuneration. The Committee will also regularly assess and determine the directors' and executive officers' remuneration. The directors' and executives' remuneration is linked with WNC's business performance and objectives to attract high-quality talent and enhance WNC's competitiveness.

■ Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets one of the following professional qualification requirements, together with at least five years' work experience		
		An educator holding a position of instructor or higher at a public or private junior college, college or university in a department of commerce, law, finance, accounting, or other academic department related to the business needs of WNC	**A judge, public prosecutor, attorney, CPA, or other professional or technical specialist who has passed a national examination and been certified in a profession necessary for the business of WNC**	**Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of WNC**
Independent Director	Robert Hung			✓
Independent Director	Neng-Pai Lin	✓		✓
Independent Director	Karen Hsin		✓	✓

Title	Criteria / Name	Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as an Remuneration Committee member	Remarks
		1	2	3	4	5	6	7	8	9	10		
Independent Director	Robert Hung	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Neng-Pai Lin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Karen Hsin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: The ticked boxes in the table correspond to the below conditions being true of the director during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of WNC or any of its affiliates.
(2) Not a director or supervisor of WNC or any of its affiliates. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of WNC or ranks as one of its top 10 shareholders.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of an executive officer in subparagraph (1) or any of the persons in subparagraphs (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of WNC or who holds shares ranking in the top five holdings, or who designates a representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)
(6) Not a director, supervisor, or employee of a company in which a majority of that company's director seats or voting shares and those of WNC are controlled by the same person. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC or its parent, subsidiary, or a subsidiary of the same parent.)
(7) Not a director, supervisor, or employee of a company or institution in which the chairman, general manager, or person holding an equivalent position and a person in any of those positions at WNC are the same person or are spouses. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at WNC and its parent or subsidiary or a subsidiary of the same parent.)
(8) Not a director, supervisor, executive officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with WNC. (This, however, does not apply to independent directors appointed in accordance with the Act or the laws or regulations of the local country, and currently serving as such at WNC or its parent, subsidiary, or a subsidiary of the same parent, and if the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of WNC.)
(9) Not a professional individual who, or an owner, partner, director, supervisor, or executive officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to WNC or any affiliate of WNC for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not been a person of any conditions defined in Article 30 of the Company Law.

■ Attendance of Members at Remuneration Committee Meetings

- There are three members on the Remuneration Committee.
- The terms of the current Remuneration Committee run from July 12, 2017 to June 15, 2020. A total of three Remuneration Committee meetings were held in 2019. The attendance record of the Remuneration Committee members is as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Convener	Neng-Pai Lin	3	0	100	
Committee member	Robert Hung	3	0	100	
Committee member	Karen Hsin	3	0	100	

■ Other items of note:

- If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., Should the remuneration passed by the Board of Directors exceed the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified). Instances where the Board of Directors declined such a recommendation: None.
- Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion being specified: None.
- Discussion items and resolutions:

Date of meeting	Content of important motions	Resolution by the Committee and the Company's response to the Committee's opinion
Session III, Meeting VI of the Remuneration Committee (Mar. 13, 2019)	• Proposal to adjust the salaries of executive officers in 2019 • Proposal to adjust the salaries of the Chairman & CSO and the President & CEO in 2019 • Proposal regarding the distribution of executive officers' project bonuses in the second half of 2018 • Motion regarding the distribution of employees' and directors' profit-sharing bonuses in 2018 • Submission of a resolution to issue restricted stock awards to key employees	The proposals and recommendations were passed by unanimous vote of the Remuneration Committee and approved by the Board of Directors
Session III, Meeting VII of the Remuneration Committee (Aug. 5, 2019)	• Proposal regarding the distribution of directors' profit-sharing bonuses in 2018. • Proposal regarding the distribution of executive officers' profit-sharing bonuses in 2018 • Proposal regarding the distribution of executive officers' project bonuses in the first half of 2019	
Session III, Meeting VIII of the Remuneration Committee (Dec. 18, 2019)	• Proposal regarding the distribution of executive officers' performance bonuses in 2019 • Proposal regarding the establishment of the 2019 issuance rules of restricted stock awards	

3.3.5. Corporate Social Responsibility and the Discrepancies Between Actual CSR and the "CSR Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons for the Discrepancies

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
1. Does the company conduct risk assessment on environmental, social, and corporate governance issues related to company operations in accordance with materiality principles, and establish related risk management policies or strategies?	✓		WNC manages business operations-related risk in accordance with its existing organizational structure and internal control and management systems. Each business unit and function team in WNC have their own responsibilities in formulating management strategies and response measures to prevent, reduce, or transfer risk. At the weekly meeting for high-ranking managers, the managerial staff of each unit inspects internal/external variables related to business operations (including the macroeconomy, industry and technology, customers and markets, supply chains, internal personnel, and operation processes) and analyzes the possible threats and opportunities such variables may present to WNC's operations. After analysis, if an item is found to pose a potential major threat to the company, it is listed as a major risk. The status of major risk items may change over time due to changes in the internal/external environment.	None
2. Has the company established an exclusively (or concurrently) dedicated unit to be in charge of corporate social responsibility and authorized high-ranking managers to implement action plans and report on the progress of such plans to the Board of Directors?	✓		WNC's Marketing and Corporate Communication Division and RBA Management Committee direct WNC's implementation efforts regarding sustainable development. Such efforts include the stipulation of policies and management regulations related to sustainable development, disclosure of progress and achievements in sustainable development, and assisting WNC's function units in implementing items related to sustainable development. Operations related to implementing sustainable development will be conducted by various function units in accordance with their job duties, and shall comply with related WNC policies. Personnel in function units shall also pay close attention to related international initiatives and regulations to see if management regulations and operational procedures for implementing sustainable development need to be updated. Starting in 2019, the President & CEO of WNC regularly (at least once a year) reports to the Board of Directors regarding communication with stakeholders on sustainable development, the plans WNC has regarding sustainable development, as well as progress made in this area.	None
3. Environmental Issues (1) Does the company establish appropriate environmental management systems based on the characteristics of its industry? (2) Does the company strive to improve the utilization efficiency of	 ✓ ✓		(1) WNC pays close attention to environmental protection and monitors correlated trends. In addition to complying with all local environmental-protection laws and regulations, WNC also actively collaborates with customers to jointly implement environmental-management systems and green-product management systems with its suppliers. The WNC Taiwan headquarters and the main production sites in China have all obtained ISO 14001, ISO 14064-1, ISO 50001 and IECQ QC 080000 certification and regularly conduct internal audits and third-party examinations every year. WNC's sites in Tainan and Vietnam, which were established in 2019, received ISO	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
various resources and use renewable materials? (3) Does the company evaluate the potential risks and opportunities that climate change poses to the company both currently and in the future, as well as implement response measures for climate-related issues. (4) Does the company compile data on its greenhouse gas emissions, total amount of water usage, and total weight of waste produced in the previous two years, as well as establish policies regarding energy conservation, carbon reduction, greenhouse gas reduction, water usage reduction, and waste management?	 ✓ ✓		14000 certification in May and August 2019 respectively. (2) WNC cooperates with its suppliers to achieve international environmental standards and provides its customers with green products that: are energy-efficient; are toxin-free or of low toxicity; produce low amounts of emissions; have design and production service cycles designed for recyclability and renewability: and have less impact on the environment. With product LCA (life cycle assessment) principles at the forefront, WNC identifies eco-design parameters such as hazardous-substance restrictions, energy efficiency, recycling and reuse, and environmental-information disclosure. Meanwhile, WNC raises supplier-side requirements to ensure that design components meet the eco-design requirements specified by WNC for energy-using products. (3) Climate change is triggering abnormal weather phenomena such as global warming, torrential rains, blizzards, and droughts, which can affect the operations of companies and lead to financial losses and/or negatively impact the safety and health of workers, thus posing a challenge to sustainable development. Enterprises around the world must focus on improving their response capabilities toward issues caused by climate change. WNC discloses the risks and opportunities brought about by climate change in accordance with the methods developed by the Task Force on Climate-Related Financial Disclosure (TCFD) and evaluates their potential impact on company operations and finances, enabling the company to take response measures to better prepare for climate events. For details, please refer to Section 2.3 “Risk Management” in WNC’s 2019 CSR Report. (4) WNC compiles data on its greenhouse gas emissions, water usage, and waste produced annually. It has also launched energy conservation measures at its plants, increased waste recycling rates, and implemented water conservation measures. For details, please refer to Section 4.3 “Carbon Management” and 4.4 "Energy and Resource Management" in WNC’s 2019 CSR Report.	
4. Social Issues (1) Does the company specify related management policies and procedures based on related laws/regulations	 ✓		(1) WNC complies with relevant labor laws and regulations, and promises to follow international regulatory and human rights conventions such as “Universal Declaration of Human Rights” released by the UN, “The UN Global Compact’s Ten Principles,” and the “Core Labor Standards of Fundamental	None

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
and international human-rights conventions? (2) Has the company established and implemented a reasonable employee benefits program (covering items such as salary, compensation, leave, and other benefits) and appropriately reflecting business performance or achievements in employee remuneration? (3) Does the company provide a safe and healthy work environment for its employees and organize safety and health training on a regular basis? (4) Does the company establish effective career-development training plans for employees? (5) Do WNC's products and services comply with relevant laws, regulations, and international guidelines in the areas of customer health and safety, client privacy, marketing, and advertising, and does the company have customer rights protection policies and channels for handling customer complaints? (6) Has the company established a	 ✓ ✓ ✓ ✓ ✓		Conventions" released by the International Labor Organization. WNC voluntarily follows the spirit of the RBA's Code of Conduct. WNC plans to expand implementation of the RBA's Code of Conduct requirements throughout its entire supply chain. WNC has established the WNC RBA Management Committee and adopted its own WNC RBA Code of Conduct. WNC's Code of Conduct shall be carried out and followed by all WNC employees, subsidiaries, and suppliers. For details, please refer to Section 3.1 "Respect for Human Rights" in WNC's 2019 CSR Report. (2) WNC regularly adjusts employees' salary according to commodity prices, market supply and demand, salary standards, local laws, and other factors. It has also implemented various incentive systems to reward high-performing employees and units, such as performance bonuses, employee dividends, restricted stock awards and other stock incentives, annual long-term employee awards, outstanding team awards, outstanding employee awards, and patent awards. Besides providing labor insurance (which includes injury benefits, disability benefits, maternity benefits, and death benefits) and National Health Insurance as required by law, official and contracted employees of WNC are also covered by group insurance (which includes life insurance, accident insurance, hospital insurance, and cancer insurance), and said employees may also purchase the aforementioned insurance to cover their family members. WNC also provides maternity leave, family care leave, menstruation leave, and paternity leave, and employees can utilize the aforementioned types of leave as their situation requires. (3) WNC has worked proactively to establish a safe and healthy work environment. Besides establishing management regulations regarding labor safety and health, WNC also preemptively conducts related risk assessments, provides controls, and manages changes under those controls for their impact on safety and health. OHSAS 18001 internal audits and third-party examinations are regularly conducted every year to verify the operating status of the occupational safety and health management systems and to ensure their continuous improvement. In addition, all sites in Taiwan earned CNS 15506: 2011 certification (Taiwan Occupational Safety and Health Management System, TOSHMS). For details, please refer to Section 3.5.1 "Occupational Safety and Health Management" in WNC's 2019 CSR Report. (4) WNC values the importance of recruiting fully qualified	

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
supplier management policy and required its suppliers to comply with related regulations regarding environmental protection, occupational health and safety, and labor rights, and does it monitor suppliers' compliance in these areas?			employees and devotes special attention to improving the skills and general knowledge of colleagues. Based on this concept and the central principle of growth, innovation, and cooperation, employees are provided with training programs designed to enhance job performance and key competencies, as well as supervisory and leadership training. For details, please refer to Section 3.4 "Training and Development" in WNC's 2019 CSR Report. (5) WNC lets its customers address product-marketing matters, and indications on products are also determined by customer requirements. WNC's Quality Assurance Division is responsible for green-product and customer-service matters. It cooperates with each unit of WNC to ensure WNC products are in accordance with customer requirements, environmental regulations, and related international standards during each phase from product design, through production, to delivery. WNC lets its customers directly address all types of consumer-rights affairs. To raise the level of trust and satisfaction that customers hold for WNC's products and services, our customer services division has also instituted a customer satisfaction mechanism. Every year a satisfaction survey and analysis is carried out on product quality, technology, delivery, and other service items. Based on this customer satisfaction survey, analysis of reasons for dissatisfaction are relayed to related business units, allowing them to draft and execute plans for improvement and track improvement progress. (6) WNC has formulated the "WNC Supplier Code of Conduct" and requires all new suppliers to sign the "Supplier CSR Declaration" and the "WNC Group Supplier's Commitment for Code of Ethics," in which they shall declare their commitment to fulfilling social responsibilities. WNC also asks its suppliers to fill out the "WNC Supplier CSR Questionnaire" in order to ascertain supplier's implementation outcome in the areas of labor, health and safety, environmental protection, management systems, and business ethics. WNC conducts a CSR audit on key suppliers. WNC's Supplier Quality Management Center is responsible for tracking audit results and the improvement plans submitted by the suppliers, and it shall monitor the suppliers in accordance with supplier evaluation management regulations to ensure that the suppliers comply with RBA regulations and continuingly shows improvement.	
5. Does the company reference widely recognized	✓		WNC's 2019 CSR Report is written in accordance with the Global Reporting Initiative (GRI) Standards. The report has also been verified by SGS Taiwan Ltd., a fair and independent	

Evaluation item	Implementation status			Discrepancies /reasons
	Yes	No	Summary	
international standards or guidelines when producing corporate social responsibility reports or reports that disclose the company's non-financial information, and are these reports assured or verified by a third-party agency?			third-party agency, in accordance with the AA1000 Assurance Standard and the GRI Standards, and the report has been confirmed to comply with the core option of the GRI standards and the medium assurance level of the AA1000 Assurance Standard.	

6. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation:
   To summarize the statements above, there is no notable discrepancy between the measures' implementation and WNC's corporate social responsibility principles.
7. Other important information to facilitate a better understanding of the Company's corporate social responsibility practices:
   For detailed information, please refer to WNC's CSR report or the CSR page of WNC's website: http://www.wnc.com.tw/index.php?action=csr

3.3.6. Ethical Corporate Management and the Discrepancies Between Actual Ethical Corporate Management and the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the Reasons for the Discrepancies

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs (1) Does the company formulate ethical corporate management policies approved by the Board and declare those ethical corporate management policies and procedures, as well as the commitment by its board and top management to actively implement such management policies in its guidelines and external documents? (2) Does the company establish mechanisms to assess risk of unethical conduct, regularly analyze and assess business activities with higher risk of unethical conduct within the scope of its operations, and formulate policies to prevent unethical conduct based on such mechanisms, and at least include all the listed activities stated in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? (3) Does the company establish policies to prevent unethical conduct with clear statements regarding	✓ ✓ ✓		(1) In order to demonstrate WNC's willingness to shoulder its social and environmental responsibilities, comply with corporate ethics, enhance the company's image, and comply with international conventions placing greater scrutiny on the development of labor, health and safety, environmental protection, and ethics standards, WNC has formulated its "Corporate Governance Best-Practice Principles," "Ethical Corporate Management Best-Practice Principles," "Code of Ethical Conduct," "Procedures for Ethical Management and Guidelines for Conduct," "Supplier Corporate Social Responsibility Code of Conduct," and "WNC RBA Code of Conduct" for employees to follow. All these have been approved by the Board of Directors. In addition, WNC has disclosed the company's ethics policies and required that all of its employees and major suppliers sign the commitment to its code of ethics. (2) WNC has mechanisms in place to assess risks of unethical conduct and regularly analyzes and assesses business activities with higher risks of unethical conduct within the scope of business operations through implementation of the RBA management system and relevant relationships. WNC's RBA management committee represents the company's RBA management system and is in charge of the formulation, implementation, and maintenance of the company's related policies. WNC has also formulated the "WNC Reporting and Handling Procedure" to stipulate the procedure, flowchart, and form for reporting unlawful conduct. An independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on WNC's website. (3) With regard to units and personnel that may face situations presenting a higher potential for unethical conduct, WNC administers training and education and compiles relevant work handbooks to increase employee knowledge and provide relevant guidelines. Internal auditing, job rotation, review and adjustment are also implemented on a regular basis to reduce relevant risks. In addition, "WNC Intellectual Property Rights Management Measures" was formulated to further protect WNC's trade secrets and intellectual property rights.	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, have the commitment to implement the policies, and regularly review and adjust such policies?				
2. Ethical corporate management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish a dedicated unit supervised by the Board to be in charge of corporate integrity which reports regularly (at least once a year) to the Board on its policies regarding ethical management, prevention of unethical conduct, and supervision on the implementation of such policies? (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and has the company enforced it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and do the internal auditors formulate related audit plans based on risk assessment results for unethical conduct, and audit the conformance of the prevention of	✓ ✓ ✓ ✓		(1) WNC has formulated the "WNC RBA Code of Conduct" for stakeholders such as our affiliated enterprises, employees, and suppliers to follow and observe. The Code is divided into five parts: a. Labor; b. Health and Safety; c. Environment; d. Ethics; and e. Management System. WNC has required that its major suppliers sign the RBA Code of Conduct and commit to complying with the relevant provisions of the Code. (2) WNC has established the Integrity Office in accordance with the "Procedures for Ethical Management and Guidelines for Conduct." The Integrity Office is responsible for implementing ethical management at WNC, and is also the unit in charge of amending, interpreting, and providing advisory consultation on the aforementioned Procedures and Guidelines as well as the recording and filing of related reports. The Integrity Office and the Audit Office shall monitor the implementation of the aforementioned Procedures and Guidelines and submit (at least once a year) reports to the Board of Directors on the implementation status. WNC's achievements in implementing ethical management in 2019 is as below: a. All IDL employees have signed the commitment to WNC's code of ethics. b. 100% of employees have completed the "WNC Ethics and Anti-Corruption Code of Conduct" on-line training course. c. All employees who received the "Commitment to Integrity Questionnaire for Employees with Specific Job Duties" completed it. The three cases sent to the independent complaint mailbox have been processed. The root cause for all three cases were found and suitable measures were implemented. (3) An independent complaint mailbox (wnc.integrity@wnc.com.tw) has been established on the WNC website. In addition, WNC has formulated the "WNC Reporting and Handling Procedure" to establish the procedure, flowchart, and form for reporting incidences of unlawful conduct. (4) Pursuant to legal requirements, WNC established the Audit Office, which is independent of the company and is directly under the Board of Directors. Its business scope includes all the operations of WNC and its subsidiaries. Auditing is performed in accordance with the audit plan which has been approved by the Board of Directors. The audit plan is formulated based on identified risks. The Audit Office performs project audits when necessary and provides management personnel with information regarding existing faults or potential risks in a timely manner. The Audit Office	None

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
unethical conduct, or are they audited by CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on ethical corporate management?	 ✓		reports its auditing activities to the Audit Committee on a regular basis and attends board meetings to report to the Chairman and the Audit Committee when necessary. (5) WNC provides the “WNC Supplier Code of Conduct” e-learning courses to suppliers and offers counseling (training and field visits) to important major suppliers. For employees, WNC administers the “WNC CSR & RBA introduction” e-learning course to enable employees to understand WNC’s corporate social responsibilities and the WNC RBA Code of Conduct. Since 2017, WNC has provided the “WNC Ethics and Anti-Corruption Code of Conduct” e-learning course for management integrity training. In 2019, the total number of participants was 1,479 and the total number of training hours was 1,183.	
3. Operation of reporting channels (1) Does the company establish both a reward/punishment system and an integrity hotline? Will a designated person conduct follow-up on the accused party? (2) Does the company establish measures to protect confidentiality and standard operating procedures for investigating accusations as well as the subsequent measures after investigations are closed? (3) Does the company provide proper whistleblower protection?	 ✓ ✓ ✓		(1) WNC’s Human Resources Administration Division is tasked with establishing complaint channels and handling employee complaints and disciplinary matters. In addition to the written reporting mechanism, an independent complaint mailbox (wnc.integrity@wnc.com.tw) has also been established on the WNC website. (2) WNC has formulated the “WNC Reporting and Handling Procedure” that clearly specifies the responsible person for processing the reported matters, the reporting and handling procedure and the violation report form, that the investigation process will be conducted on a confidential basis, and prescribes that the reporting and handling procedure and the violation report form be utilized to detail the handling procedure and record the issue and handling results in writing. After the investigation is concluded, follow-up measures are taken in accordance with the severity of the matter concerned. When necessary, report the matter concerned to the competent authority or transfer it to the judicial units for investigation. (3) The “WNC Reporting and Handling Procedure” specifies that the responsible unit will ensure the identities of reporting parties will be held secret, and that reporting parties are not open to retaliation.	None
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and the Market Observation Post System?	 ✓		WNC publishes the “Ethical Corporate Management Best-Practice Principles,” “Code of Ethical Conduct,” and “Procedures for Ethical Management and Guidelines for Conduct” on the company’s internal website for employees to check at any time. WNC publishes the WNC CSR Report to elaborate on its ethical management policies and implementation results, and the information is disclosed on the company website at http://www.wnc.com.tw/index.php?action=csr. WNC also publishes its “Ethical Corporate Management Best-Practice Principles” and “Code of Ethical Conduct” on the Market Observation Post System.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no discrepancies.				

Evaluation item	Implementation status			Discrepancies/ reasons
	Yes	No	Summary	
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). WNC clearly discloses its ethics policies through education and training (including orientation), announcements on the company's internal website, integration of new practices into the company's work regulations, and formal announcements. WNC also requires that all its employees (including newly recruited members) and major suppliers sign the commitment to a code of ethics and uphold the highest ethical standards during business interactions. Any/all forms of corruption, extortion, blackmail, embezzlement, and misappropriation of public funds and/or company property are prohibited. Also, bribes or any other form of improper advantage must not be provided or accepted.				

3.4. Accountant Fee

3.4.1. Range of Accountant Fee

Accounting firm	Name of CPA		Audit period	Remarks
KPMG	Emily Tseng	Hai-Ning Huang	Jan. 1, 2019–Dec. 31, 2019	

Unit: Thousand NT$

Range \ Item		Audit fee	Non-audit fee	Total
1	Under NT$2,000,000		✓	114
2	NT$2,000,000–NT$3,999,999			
3	NT$4,000,000–NT$5,999,999			
4	NT$6,000,000–NT$7,999,999	✓		6,681
5	NT$8,000,000–NT$9,999,999			
6	Over NT$9,999,999			

3.4.2. In the event that the non-audit fees paid to the CPA, the accounting firms of the CPA and their affiliates account for one-fourth of the audited public funds and above, disclose the amount of the audit fees, non-audit fees, and the non-audit services: None

3.4.3. In the event of a change of accounting firms and the audit fees paid in the year when such change takes place is less than the audit fees of the previous year, disclose the amount of the audit fees before and after the change and the reasons: None

3.4.4. In the event that the audit fees decrease by 10% or more compared to the previous year, disclose the amount, proportion, and the reason for the reduction in the audit fees: None

Unit: Thousand NT$

Accounting firm	Name of CPA		Audit fee	Non-audit fee					CPA audit period	Remarks
				System design	Company registration	Human resource	Others	Sub-total		
KPMG	Emily Tseng	Hai-Ning Huang	6,681	0	0	0	114 (Note)	114	Jan. 1, 2019–Dec. 31, 2019	

Note: Consists of accountants fees for reviewing the checklists containing information on the salary of full-time employees in non-managerial positions and auditing of the capital amount.

3.5. Change of CPA:

Previously, the audit CPAs for WNC were Hai-Ning Huang and Sing-Hai Wei from KPMG. Due to staff rotation at KPMG, starting 2019 the audit CPAs for WNC are Emily Tseng and Hai-Ning Huang.

3.6. The company's Chairman, President, or executive officers in charge of its finance and accounting operations who have assumed positions in the independent audit firm or its affiliates in the most recent year: None

4 Capital Overview

4.1. Capital and Shares

4.1.1. Type of Stock

April 21, 2020

Type of stock	Authorized capital			Remarks
	Issued shares	Un-issued shares	Total shares	
Common stocks	390,232,302	409,767,698	800,000,000	Employee stock options: 25,000,000 shares

4.1.2. Related Information for Shelf Registration: None

4.1.3. Sources of Capital

Unit: Except for the par value (in NT$), numbers are in thousands (Shares or NT$)

Month/ year	Par value (NT$)	Authorized capital		Paid-in capital		Remarks	
		Shares	Value	Shares	Value	Sources of capital	Capital increased by assets other than cash
01/2019	10	500,000	5,000,000	373,875	3,738,751	Cancellation of Restricted Stock Awards: 206 thousand shares	None
03/2019	10	500,000	5,000,000	390,409	3,904,093	Conversion of corporate bonds into shares: 16.534 million shares	None
09/2019	10	800,000	8,000,000	390,329	3,903,293	Cancellation of Restricted Stock Awards: 80 thousand shares	None
03/2020	10	800,000	8,000,000	390,232	3,902,323	Conversion of Restricted Stock Awards: 97 thousand shares	None

4.1.4. Composition of Shareholders

April 21, 2020; Unit: Shares

Item	Shareholder types					
	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions & natural persons	Domestic natural persons	Total
Number of shareholders	6	5	167	193	37,576	37,947
Shareholding (shares)	12,549,766	5,727,920	138,514,545	65,150,013	168,290,058	390,232,302
Holding percentage (%)	3.22	1.47	35.49	16.70	43.12	100.00

4.1.5. Shareholding Distribution Status

April 21, 2020; Unit: Shares

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Holding percentage (%)
1–999	10,840	1,722,147	0.44
1,000–5,000	21,009	42,338,483	10.85
5,001–10,000	3,231	23,651,429	6.06
10,001–15,000	1,001	12,184,160	3.12
15,001–20,000	531	9,598,296	2.46
20,001–30,000	473	11,712,983	3.00
30,001–50,000	360	14,047,815	3.60
50,001–100,000	250	17,295,617	4.43
100,001–200,000	124	16,535,814	4.24
200,001–400,000	53	14,108,128	3.62
400,001–600,000	26	12,679,504	3.25
600,001–800,000	2	1,339,443	0.34
800,001–1,000,000	11	9,413,042	2.41
1,000,001 or over	36	203,605,441	52.18
Total	37,947	390,232,302	100.00

4.1.6. Major Shareholders

April 21, 2020; Unit: Shares

Shareholder's Name	Shareholding	
	Shares	%
Wistron Corporation	89,674,679	22.98
Chang Gung Medical Foundation	11,715,509	3.00
Cathay Life Insurance Co., Ltd.	10,657,044	2.73
Taiwan Life Insurance Co., Ltd.	6,343,426	1.63
Haydn Hsieh	5,988,971	1.53
JPMorgan Chase Bank N.A., Taipei Branch, in custody for the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,329,164	1.37
Norges Bank	5,275,909	1.35
Labor Pension Fund (New Scheme)	5,177,766	1.33
Value Partners High-Dividend Stocks Fund	4,920,480	1.26
TransGlobe Life Insurance Inc.	4,348,230	1.11

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

Unit: NT$

Item		Year	2018	2019	Jan. 1, 2020– Mar. 31, 2020
Market Price per Share	Highest market price	Current	89.1	85	77.1
		Adjusted	83.73	81.5	
	Lowest market price	Current	63.3	67	45.1
		Adjusted	58.43	63.5	
	Average market price		75.18	77.13	63.73
Net Worth per Share	Before distribution		40.70	41.43	41.54
	After distribution		37.19	Note 1	—
Earnings per Share	Weighted average shares (unit: thousand shares)		370,219	388,289	390,084
	Earnings per share		5.21	3.76	0.64
Dividends per Share	Cash dividends		3.50071734	2.5 (Note 1)	—
	Stock dividends	Dividends from Retained Earnings	0	0	—
		Dividends from Capital Surplus	0	0	—
	Accumulated Undistributed Dividends		0	0	—
Return on Investment	Price / Earnings Ratio (Note 2)		14.43	20.51	—
	Price / Dividend Ratio (Note 3)		21.48	30.85 (Note 1)	—
	Cash Dividend Yield Rate (%) (Note 4)		4.66	3.24 (Note 1)	—

Note 1: Dividends per Share will be finalized after ratification at the 2020 shareholders' meeting.
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.8. Dividend Policy and Implementation Status

■ Dividend policy

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

Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings at the beginning of this period, shall be proposed, with no less than 10% as dividends to shareholders, by the Board of Directors and ratified at the shareholders' meeting.

In consideration that WNC is involved in a capital- and technologically-intensive industry and in consideration that WNC is expanding and to ensure its continued and steady growth, a long-term investment plan must be adopted. Therefore, WNC adopts a residual dividend policy as its dividend policy. The cash dividends shall not be less than 10% of the total dividends.

■ Proposed distribution of dividends

The proposal for the distribution of 2019 profits of cash dividends of NT$2.5 per share, as listed in the table below, was passed at the meeting of the Board on March 11, 2020. The proposal will be implemented after discussion and approval during the Shareholders' Meeting to be held on June 19, 2020.

Earnings Appropriation Statement for Year 2019

Unit: NT$

Item	Amount
Unappropriated retained earnings at beginning of period	4,389,843,780
Minus: Changes in the remeasurements of the defined benefit plans	(12,911,200)
Plus: Compensation cost of restricted stock awards	339,500
Adjusted unappropriated retained earnings	4,377,272,080
Plus: Profit after year's tax	1,461,172,658
Minus: Legal reserve	(144,860,096)
Plus: Special reserve	36,958,277
Retained earnings for appropriation	5,730,542,919
Shareholder dividends and bonuses (Cash dividend: NT$2.5 per share)	(975,580,755)
Unappropriated retained earnings at end of period	4,754,962,164

■ Descriptions of any expected significant changes to dividend policies: None

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

4.1.10. Profit-Sharing Bonuses for Employees and Directors

■ Percentage and scope specified in the "Articles of Incorporation":

If WNC shows an annual profit (the profit herein indicates the pretax profit without deducting the profit-sharing bonuses for employees and directors), the profit will be appropriated in accordance with the following. However, the amount to make up any accumulated losses shall be set aside:

- No less than 5% as profit-sharing bonuses for employees; where such bonuses are distributed by shares or as cash; employees of controlled companies, with qualifications set by the Board of Directors, can be included;
- No more than 1% as directors' profit-sharing bonuses in cash.

■ The accounting treatment if there is a difference between the actual distribution and the estimated basis for calculating profit-sharing bonuses for employees and directors, and the shares as stock bonus for employees:

If the actual amounts subsequently paid differ from the above estimated amounts, the difference will be recorded in the year paid as a change in accounting estimate.

■ Profit-sharing bonuses distribution approved by the Board of Directors

- The profit-sharing bonuses approved by the Board of Directors is NT$188.229 million for employees and NT$13.445 million for directors. There is no difference between the estimated expense and the proposed amounts approved by the Board of Directors.
- Ratio of stock bonuses for employees to the net income of the parent-company-only financial statements: N/A

■ The actual distribution of the profit-sharing employee bonuses and directors' compensation during the previous year (including the distributed shares, amounts, and stock price): If there is a difference between the proposed amount, the difference, reason, and processing status, it shall be described.

Unit: NT$

	Proposed amount approved by the Board	Actual distribution amount (Note)
Employees' profit-sharing bonuses (in cash)	222,376,709	222,376,709
Directors' profit-sharing bonuses	15,884,049	15,884,049
Total	238,260,758	238,260,758

Note: The above profit-sharing bonuses for employees and directors were expensed under WNC's 2018 statement of comprehensive income and the same amounts were approved by the Board.

4.1.11. Buyback of Stock: None

4.2. Issuance of Corporate Bonds: None

4.3. Special Shares: None

4.4. Overseas Depositary Receipts: None

4.5. Employee Stock Options: None

4.6. Issuance of Employee Restricted Stock Awards

4.6.1. Issuance of Employee Restricted Stock Awards

May 11, 2020

Type of employee restricted stock awards	Employee restricted stock awards for the year 2016	Employee restricted stock awards for the year 2019
Date of effective registration	September 6, 2016	December 30, 2019
Issue date	November 1, 2016 / July 3, 2017	Not yet issued
Number of employee restricted stock awards issued	6,990,000/510,000	Not yet issued
Issued price	0	0
Employee restricted stock awards as a percentage of shares issued (%)	1.92	Not yet issued
Vesting conditions of employee restricted stock awards	Employees who are still in service at the end of vesting periods, are qualified to receive Restricted Stock Awards on the first anniversary of the grant date of Restricted Stock Awards, in a number determined for grant that year. Based on WNC's overall performance and the employees' performance assessment results, WNC shall determine the number of the Restricted Stock Awards distributable within the total number of shares to be granted during the year. 1. WNC's overall performance indicators A. The vested ratio of the total number of Restricted Stock Awards to be granted during the year is determined based on WNC's EPS from the consolidated financial statements (which have been audited and certified by a certified public accountant) of the most recent year upon the expiration of the vesting period. WNC's EPS will be compared with those of other companies in the network-communications industry category: If WNC's EPS ranks among the top 1/3 of the companies in the network communications industry, the vested ratio will be 100%. If WNC's EPS ranks below the top 1/3 but among the top 2/3 of companies in the network communications industry, the vested ratio will be 75%. If WNC's EPS fails to rank among the top 2/3 of the companies in the network communications industry, the vested ratio will be 0%. B. The companies in the same network-communications industry category as WNC refer to: Sercomm Corporation, Gemtek Technology Co., Ltd., Microelectronics Technology Inc., Prime Electronics and Satellitics Inc., Zinwell Corporation, Alpha Networks Inc., CyberTAN Technology, Inc., Accton Technology Corporation, Arcadyan Technology Corporation, AzureWave Technologies, Inc., and Senao Networks, Inc. If there are changes to this list, the Remuneration Committee of WNC is in charge of approving the changes.	Employees who are still in service at the end of vesting periods, are qualified to receive Restricted Stock Awards on the first anniversary of the grant date of Restricted Stock Awards, in a number determined for grant that year. Based on WNC's overall performance and the employees' performance assessment results, WNC shall determine the number of the Restricted Stock Awards distributable within the total number of shares to be granted during the year. 1. WNC's overall performance indicators A. The vested ratio of the total number of Restricted Stock Awards to be granted during the year is determined based on WNC's EPS from the consolidated financial statements (which have been audited and certified by a certified public accountant) of the most recent year upon the expiration of the vesting period. WNC's EPS will be compared with those of other companies in the network-communications industry category: If WNC's EPS ranks among the top 1/3 of the companies in the network communications industry, the vested ratio will be 100%. If WNC's EPS ranks below the top 1/3 but among the top 2/3 of companies in the network communications industry, the vested ratio will be 75%. If WNC's EPS fails to rank among the top 2/3 of the companies in the network communications industry, the vested ratio will be 0%. B. The companies in the same network-communications industry category as WNC refer to: Sercomm Corporation, Gemtek Technology Co., Ltd., Microelectronics Technology Inc., Prime Electronics and Satellitics Inc., Zinwell Corporation, Alpha Networks Inc., CyberTAN Technology, Inc., Accton Technology Corporation, Arcadyan Technology Corporation, AzureWave Technologies, Inc., and Senao Networks, Inc.

	C. With regard to WNC's overall performance indicators, upon the occurrence of circumstances unforeseeable during the formulation of the current measures (such as international industry and economic situations having a significant impact on WNC's operations), WNC's remuneration committee may propose to adjust such indicators or the vested ratio. Any proposed adjustments to the indicators or ratio shall be approved by the Board of Directors before they can be applied. 2. Employees' performance indicators Subject to the company's overall performance indicators above, Employees with service of one year, two years, and three years following the grant date of Restricted Stock Awards, and who obtain an A or above in their annual performance assessment results in the corresponding year(s), can receive up to the total number of shares to be granted during that/those year(s). Employees with a performance assessment result of A- may receive up to 80% of the total number of shares to be granted during the corresponding year. Employees with a performance assessment result of B or below forfeit any right to shares during the corresponding year. 3. If WNC's overall performance indicators fail to rank among the top 2/3 of the companies in the network communications industry, it is considered, in principle, that the vesting conditions are not met. However, if the employee who has been granted Restricted Stock Awards has made important contributions to the company and if the employee obtains an A or above in their performance assessment results in the same year, WNC's remuneration committee may propose a different number of vested shares within the total number of Restricted Stock Awards granted to the employee during the year. Such a proposal shall be approved by the Board of Directors before it can be applied. In this case, WNC's overall performance indicators will be excluded as one of the vesting conditions.	If there are changes to this list, the Remuneration Committee of WNC is in charge of approving the changes. C. With regard to WNC's overall performance indicators, upon the occurrence of circumstances unforeseeable during the formulation of the current measures (such as international industry and economic situations having a significant impact on WNC's operations), WNC's remuneration committee may propose to adjust such indicators or the vested ratio. Any proposed adjustments to the indicators or ratio shall be approved by the Board of Directors before they can be applied. 2. Employees' performance indicators Subject to the company's overall performance indicators above, employees with service of one year, two years, and three years following the grant date of Restricted Stock Awards, and who obtain an A or above twice in their annual performance assessment results in the corresponding year(s), can receive up to 100% of the total number of shares to be granted during that/those year(s). Employees who obtain an A and an A- in their performance assessment may receive up to 80% of the total number of shares to be granted during the corresponding year. Employees who obtain an A- twice may receive up to 60% of the total number of shares to be granted during the corresponding year. Employees with a performance assessment result of B or below forfeit any right to shares during the corresponding year. 3. If WNC's overall performance indicators fail to rank among the top 2/3 of companies in the network communications industry, it is considered, in principle, that the vesting conditions are not met. However, if the employee who has been granted Restricted Stock Awards has made important contributions to the company and if the employee obtains an A or above twice in their performance assessment results in the same year, WNC's remuneration committee may propose a different number of vested shares within the total number of Restricted Stock Awards granted to the employee during the year. Such a proposal shall be approved by the Board of Directors before it can be applied. In this case, WNC's overall performance indicators will be excluded as one of the vesting conditions.
Restricted rights of employee restricted stock awards	With the exception of inheriting stock awards, employees receiving Restricted Stock Awards shall not sell, pledge, transfer, gift to others, assign, or otherwise dispose of their Restricted Stock Awards before meeting the vesting conditions. Once employees meet the vesting conditions, the Restricted Stock Awards will be sent to employees' settlement account via a trust account in accordance with the stipulations in the security trust agreement. Employees' right to attend, raise proposals, speak,	With the exception of inheriting stock awards, employees receiving Restricted Stock Awards shall not sell, pledge, transfer, gift to others, assign, or otherwise dispose of their Restricted Stock Awards before meeting the vesting conditions. Once employees meet the vesting conditions, the Restricted Stock Awards will be sent to employees' settlement account via a trust account in accordance with the stipulations in the security trust agreement. Employees' right to attend, raise proposals,

	and vote at shareholders' meetings are enforced in accordance with the stipulations in the security trust agreement. Besides the rights stipulated in the security trust agreement mentioned in the previous paragraph, employees who receive Restricted Stock Awards in accordance with the regulations in this section also have the same rights, including but not limited to, stock dividends, bonuses, additional paid-in capital, and stock options via capital increase by cash, as other WNC common stock shareholders have, even before the vesting conditions are met. For employees who meet the vesting conditions for Restricted Stock Awards beginning with: book closure dates for issuance of bonus shares, book closure dates for ex-dividend, book closure dates for issuance of shares for cash capital increase, book closure period for shareholders' meetings as stipulated in Paragraph 3 of Article 165 of the Company Act, or other legal closure periods; and ending with the record date of stock rights distribution, the vesting time and procedures shall be decided in accordance with the security trust agreement.	speak, and vote at shareholders' meetings are enforced in accordance with the stipulations in the security trust agreement. Besides the rights stipulated in the security trust agreement mentioned in the previous paragraph, employees who receive Restricted Stock Awards in accordance with the regulations in this section also have the same rights, including but not limited to, stock dividends, bonuses, additional paid-in capital, and stock options via capital increase by cash, as other WNC common stock shareholders have, even before the vesting conditions are met. For employees who meet the vesting conditions for Restricted Stock Awards beginning with: book closure dates for issuance of bonus shares, book closure dates for ex-dividend, book closure dates for issuance of shares for cash capital increase, book closure period for shareholders' meetings as stipulated in Paragraph 3 of Article 165 of the Company Act, or other legal closure periods; and ending with the record date of stock rights distribution, the vesting time and procedures shall be decided in accordance with the security trust agreement.
Custody status of employee restricted stock awards	Managed by security trust	Managed by security trust
Measures to be taken when vesting conditions are not met	WNC will redeem at no cost and cancel the employee restricted stock awards when vesting conditions are not met.	WNC will redeem at no cost and cancel the employee restricted stock awards when vesting conditions are not met.
Number of employee restricted stock awards that have been redeemed or bought back	647,000	Not yet issued
Number of released restricted stock awards	6,705,000 (Note)	Not yet issued
Number of unreleased restricted stock awards	148,000	Not yet issued
Ratio of unreleased restricted stock awards to total issued shares (%)	0.04	Not yet issued
Impact on shareholder rights	As of May 11, 2020, 6,705,000 shares of restricted stock awards for 2016 were vested. Since the rights and obligations of the vested shares are the same as those of the common stock issued by WNC, there is no significant impact on the shareholders of WNC.	Not yet issued

Note: The number of released shares does not include the 647,000 shares that were redeemed and cancelled.

4.6.2. List of executive officers receiving restricted stock awards and the top ten employees with restricted stock awards

May 11, 2020 Unit: NT$/share

	Job title	Name	No. of restricted stock awards received	Restricted stock awards received as a percentage of shares issued (%)	Released				Unreleased			
					Number of released shares	Issued price	Issued amount	Released restricted shares as a percentage of shares issued	Number of unreleased shares	Issued price	Issued amount	Unreleased restricted shares as a percentage of shares issued (%)
Executive officers	Chairman & CSO	Haydn Hsieh	3,325,000	0.85	3,222,000 (Note 2)	0	0	0.83	25,000	0	0	0.01
	Director, President & CEO	Jeffrey Gau										
	Executive Vice President and General Manager of Business Group	Larry Lee										
	Sr. Vice President and General Manager of Business Group	Fayu Chen										
	Vice President and General Manager of Business Group	Johnson Hsu										
	Vice President	Bird Huang										
	Vice President	Ray Lee										
	Vice President	Chris Hwang										
	Vice President	TJ Chen										
	Vice President	Apollo Shyong										
	Vice President	Joseph Chi										
	General Plant Manager	Hugo Chen (Note 1)										
	Chief Financial Officer	Jona Song										
	Chief Supply Chain Officer	Amy CY Hsu										
	Chief Technology Officer	Horen Chen										

	Job title	Name	No. of restricted stock awards received	Restricted stock awards received as a percentage of shares issued (%)	Released				Unreleased			
					Number of released shares	Issued price	Issued amount	Released restricted shares as a percentage of shares issued	Number of unreleased shares	Issued price	Issued amount	Unreleased restricted shares as a percentage of shares issued (%)
Executive officers	Associate Vice President	Owen Tai										
	Associate Vice President	Robin Wu										
	Associate Vice President	Jack YC Liu										
	Associate Vice President	CW Sheu										
	Associate Vice President	David Tsai										
Employees	Special Assistant	Chun Lee	1,265,000	0.32	1,247,000 (Note 3)	0	0	0.32	0	0	0	0
	Special Assistant	Andrew Wong (Note 1)										
	KS Site Plants - General Manager	Jason YH Chen										
	Associate Vice President	Queck Lo										
	Associate Vice President	Having Lu										
	CTO of the Networking BG	Gene Chuang										
	Sr. Associate Vice President	CY Chang										
	Associate Vice President	Joanne Han										
	Associate Vice President	Henry Hsu										
	Associate Vice President	Jonathan Li										

Note 1: Mr. Hugo Chen was promoted to General Plant Manager on August 5, 2019; Mr. Andrew Wong served as General Plant Manager until August 5, 2019.
Note 2: Released shares do not include the 78,000 shares that were canceled.
Note 3: Released shares do not include the 18,000 shares that were canceled.

4.7. Status of New Share Issuance in Connection with Mergers and Acquisitions: None

4.8. Financing Plans and Implementation: N/A

5 Overview of Business Operations

5.1. Business Content

5.1.1. Business Scope

Main business services

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

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

- Satellite communications product series
- Mobile and portable communications product series

■ Revenue distribution

Revenue Distribution of Products by Category

Unit: Thousand NT$

Year / Item	2019	
	Amount	Percentage (%)
Wireless communications products	60,427,002	97.09
Others	1,812,580	2.91
Total	62,239,582	100.00

■ Current products

Category	Item
Satellite communications product series	• DTH TV dish antenna systems • Single cable multi-output outdoor receiver systems and derivative products • Satellite digital signal convertors • Digital satellite radio receiver systems • Digital HD radio receiver systems • Satellite communications transmitters • 4K/8K high-definition digital satellite radio receivers • Lightweight high-frequency satellite two-way communications receivers

Category	Item
Mobile and home communications product series	• Wireless broadband access network communications equipment and modules • Mobile indoor and outdoor broadband network terminal devices • Next-generation mmWave cellular signal boosters • Embedded antennas for mobile devices • Fiber-optic connectivity devices • Surveillance cameras • Automotive cellular/Wi-Fi/BT modules • V2X communication end devices • Wi-Fi mesh routers • BLE modules and sensors • High-speed datacenter network switches • Next-generation mmWave mobile broadband home gateways • Smart home devices with voice assistant
Other wireless products	• Miniaturized high-frequency forward collision warning automotive radar devices • Miniaturized high-definition automotive cameras • mmWave transmission modules • Industrial cellular modem • Narrow-band IoT asset-tracking devices • RFID reader/antenna product series

■ New products under development

Category	Items
Microwave communications product series	• Next-generation high-power mmWave transceivers • Next-generation miniaturized mmWave RF/antenna units • Outdoor mmWave long-range communication equipment
Mobile and home communications product series	• 802.11ax smart devices with voice assistant • Wi-Fi 6E enterprise-level access point • Microcell base station radio unit • AIoT image sensors • Automotive AI image sensors • Next-generation V2X communication OBU • V2X communication modules

5.1.2. Industry Overview

■ Industry development trends and current market status

WNC has historically paid great attention to industry trends in wireless technology across a range of frequency bands, and has cultivated professional competencies in high-speed wireline networks and future communications technologies over time. Implementation of next-generation network frameworks will drive a new wave of market growth, as exemplified in the following sections:

For smart internet applications in the home, as of Q3 2019, there were more than 1.1 billion households with wired broadband. Of these households, more than 60% use fiber-optic broadband, and this percentage is continuing to rise. In North America, the deployment of coaxial cable broadband is the main driving force in the market, whereas the European market is seeing the continued deployment of Fiber-to-the-home (FTTH). Fiber-optic and Coaxial cable broadband are increasing global network speeds, which in turn is accelerating the upgrade of internet infrastructure and creating demand for high-bandwidth LAN in the home. These deployments are also paving the way for next-generation mobile wireless communication technologies, where the integration of wireline and wireless connectivity will further improve Internet services. Smart home applications made possible by integrating home Wi-Fi meshes, continually improving AI algorithms, and voice assistants such as Google Assistant or Amazon Alexa have brought greater convenience and added variety to people's lives.

For next-generation mobile communications, after many years of development, 4G transmission speed has increased from LTE Cat. 4 to LTE Cat. 20, matching current fiber-optic speeds. Telecommunications companies around the world are investing heavily in next-generation 5G mobile networks due to its extremely low latency and low power consumption characteristics, and wireless internet is gradually replacing wired internet, just as fiber-optics gradually replaced copper wiring. 5G services were officially introduced in the United States in 2018, further accelerating the implementation of 5G mobile broadband. Japan has announced that it will officially deploy 5G at the Tokyo Olympics, marking a seismic framework shift in communications networks. Additionally, 5G is vital for automotive communications, which require extremely low-latency connectivity and integration of various sensors based on radar, camera, lidar, and other technologies. Modern connected devices need to process much more data in a shorter period of time than in the past, which highlights the importance of AI-assisted data screening. The edge computing capabilities of GPUs, TPUs, and other high-speed processing units combined with deep learning algorithms, will truly showcase the capabilities of next-generation networks and create many new business opportunities for the market.

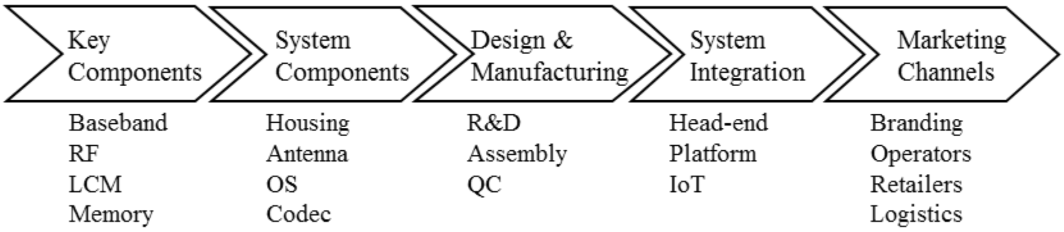
In recent years, the automotive sector has become a hot market for the electronics industry. According to a report published by TSR, a marketing research company in Japan, about 30% of cars have internet connectivity as standard equipment in 2018/2019, and more than half of new cars produced in 2023 will have internet connectivity as standard equipment. In the future, Telematics Service Providers (TSPs) will bring about new IoV services, such as car control, parking space searching, real-time traffic monitoring and route planning, rental car sharing, voice-controlled automotive entertainment systems, and better automotive safety and driving assistance systems. The maturation of voice-control devices will allow them to proliferate from the general consumer market to the automotive industry. In connected vehicles, voice-control will allow drivers and passengers to have more intuitive control of automotive entertainment systems. Smart home services may also be integrated into such systems. Development of V2X technologies such as DSRC and C-V2X has proceeded steadily, and upstream chip vendors have provided more comprehensive solutions in 2018, releasing V2X-capable automotive products and roadside equipment. V2X technologies, integrated into ADAS systems, have become standard equipment in many cars on the U.S. automotive market, filling the gaps which standard sensors cannot cover and providing drivers with more safety information such as upcoming traffic conditions. The V2X market is expected to grow significantly. This technology will benefit all who use roads and reduce the number of traffic accidents. Sensor fusion and the integration of V2X with ADAS are key for cars to quickly achieve Level 4 autonomous driving.

According to a report published by IDC, global IoT spending will grow to US$1.0503 trillion in 2022 for a CAGR of 13.2%, mainly in the areas of production line management, smart home applications, and shipment monitoring. The U.S. will account for 25.2% of global IoT spending in 2022, with China coming in second at 24.3%. Hardware spending in IoT will primarily be for infrastructure, with demand for LPWAN connectivity technologies such as NB-IoT and Cat-M growing rapidly. In software, many enterprises have started to use customized open source software platforms to reduce software costs.

In e-commerce, the IoT is used to provide service platforms, establish ecosystems, and create customized modules. The integration of AI and the IoT (AIoT) will lead to rapid growth for the IoT market and create new business services. The incorporation of AIoT in the cloud, end devices, and the Internet in 2018 has led to the integration of voice-control and visual identification in many consumer products, turning them into smart end devices. In the future, other home appliances and end devices are expected to become AIoT devices. AIoT will also reduce costs and enable more flexible production for the Industrial IoT, allow it to better adapt to rapidly changing markets. It is predicted that 5G will lead to faster growth for the IoT.

■ Industry value chain

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



■ Product development trends

• Popularization of voice control

Amazon Alexa, Google Assistant, and Apple Siri are currently the three most popular voice assistants. They have pushed many makers to improve the voice control functionality of their digital applications, and their influence has expanded from personal and family products to the automotive and industrial sectors. IoT products are improving rapidly in connectivity, processing and human-machine interaction, and their smart, personalized self-learning capability. Alongside comprehensive platform services and analysis functions, they will facilitate fully functional smart living. A rapidly growing market of voice-controlled devices is expected to play an important role in the networks of the future.

• Upgrades in wireless bandwidth

With the maturation of online streaming and extended reality (XR), there is growing demand for convenient, high-bandwidth wireless connectivity. Such demand has led to the fast growth of 802.11ad, 802.11ax, Mesh, 5G, and other high-bandwidth wireless communications technologies. 5G will be a key technology in the next decade, because it can bring about a world where everything is connected. According to a report, there were 5.3 billion mobile end devices in 2010, and this number will grow to 10.7 billion in 2020 and 17 billion in 2030. In China alone, the monthly network traffic of mobile users is projected to be 130 times higher in 2030 compared to 2010, presenting gigantic growth in the economy of scale. Since different wireless communications technologies have different characteristics, more diverse antenna design capabilities, more precise manufacturing, and more flexible production resource allocation will be required. These capabilities will be the keys to success in the upcoming connectivity revolution.

- Commercialization of AI

In 2017, AlphaGo, a computer program developed by Google, achieved a decisive victory over one of the highest ranked professional Go players in the world. Later on, through self-learning, AlphaZero achieved Go skills that no human has ever achieved. In the span of a few years, AI has achieved exponential growth, and its self-learning processes and convolutional neural networks are being implemented in the industrial sector, transportation, IoT analysis, and other big data applications. In the future, we hope that the varied infrastructure supporting our daily lives will all have self-learning, self-adapting, and self-adjusting capabilities. The realization of such capabilities will rely on software development capabilities, and will pose a great challenge to network reliability. Striking a balance between cloud and edge computing will be key in determining whether AI services will be successful.

- Virtualization of network architecture

The disruptive technologies and developments mentioned above are all closely linked to the Internet. Without the Internet, it would have been difficult to develop technologies such as voice services, wireless broadband, and AI. Because many things depend on the Internet, a lot of stress has been placed on network backbones around the world, and has brought people's attention to SDN/NFV and other network virtualization technologies. The implementation of virtualization technology has grown from massive data centers to include various network service platforms. Virtualization is seen as the solution that can meet the bandwidth demand in the 5G age. Using virtualization technology as a foundation enables more flexible data transformation using network slicing, allowing for a variety of new applications to be developed. Virtualization will make network equipment lighter, more convenient to use, more flexible, and more compatible. It will also make them easier to organize, set up, and manage. The standardization of network equipment marks an expansion in scope, builds a ubiquitous Internet, and will bring about significant changes.

- Product competition conditions

With the development of IoT, big data, AI, and new network applications, the demand for network products is rapidly increasing, related technologies are continuously being upgraded, and more and more peer manufacturers are flocking to new business opportunities. Nevertheless, compared to ordinary wired network products, wireless communication products possess higher technical requirements for wireless RF, antenna design, and network access verification. To fulfill an IoT project-type market that often requires diverse products requested in small quantities, within multi-element applications fields, and with high levels of customization, only manufacturers with deep experience in wireless product design and the capacity for efficient design, effective verification, and scalable mass production can occupy crucially advantageous positions in the new market.

Besides, as cost increases for manufacturing and raw materials, manufacturers can only obtain price advantages in mass procurement by efficiently utilizing automated flexible production and by avoiding overly diversified raw material parts in their designs; this has become a crucial element for success in the manufacturing industry. Chips as raw materials, due to the integration trend, are also experiencing intensified market competition. Thus one of the main factors for achieving success is determining how to maintain efficient competitiveness in emergent supply chains, while obtaining direct technical support from the chip suppliers. All in all, only technology leaders that have firm control over these supply chains and any technical improvements therein, and effectively leverage their interactions can widen the gap between themselves and their peers in this fiercely competitive arena, maintain their advantages, and provide customers with superior products and services.

5.1.3. Technology Research and Development

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

Unit: Thousand NT$

Year	2019	Jan. 1, 2020–Mar. 31, 2020
Research and development expenditures	2,527,767	582,688
Percentage of total revenue (%)	4.06	4.36

Successfully developed technologies or products in 2019

Category	Technology or product
Mobile and home communication product series	• Next-generation mmWave cellular signal boosters • Next-generation mmWave mobile broadband transceivers • Next-generation broadband mobile hotspot • 802.11ax mesh routers with voice assistant • Home mesh router • C-V2X communication devices
Other wireless products	• Miniaturized high-resolution dash cameras • Industrial cellular modem • 802.11ad mmWave high-frequency communication modules • RFID tunnel gate antennas

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

Category	Marketing strategy	Operations management
Short-term business development plans	Focusing on technology-oriented ODM/JDM services, WNC sets short-term goals to fully understand and cooperate with all major service operators, channel operators and branding companies in corresponding sales regions, and to improve its interaction with distributors, aiming to establish integrated marketing channels.	• 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. • Improving production capacity and manufacturing capability In coordination with business expansion and new product development schedules of the company, WNC plans to consolidate and make full use of existing production capacity to actively improve its manufacturing capability and lower costs. It aims to turn its manufacturing strength into the core competency that can create profits.
Long-term business development plans	WNC plans long-term marketing strategies to strengthen current customer relationships and broaden its market share of products. In addition, WNC emphasizes interaction and communication with its customers. WNC's aim is to meet customer demands through effective communication to provide the right product for the right market and proactively develop products for niche markets.	• Implementing Internal Control Systems WNC's operations management planning process involves establishing complete management measures and effectively implementing internal control systems, confirming that all areas of operations achieve their goals with efficiency and favorable outcomes. It also involves releasing reliable financial reports and complying with corresponding laws and regulations. By undertaking all of these actions, WNC aims to ensure the profit levels, performance standards, and asset security of the company. • 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. • Proactively Establishing Economies of Scale By proactively developing new customers and product lines to realize the effects of economies of scale, and with production capacity expansion and manufacturing capability enhancement, WNC aims to lower manufacturing costs and improve overall competency as well as obtain reasonable growth of both business scale and business profits. • Operational Scale in Cooperation with Financial Policy a. Establish and integrate domestic and overseas productivity according to operational needs. b. Enhance asset and liability management capability, maintain reasonable cash conversion cycles, and provide a healthy financial structure.

5.2. Market and Sales Overview

5.2.1. Market Analysis

Geographic distribution of major product markets

Unit: Thousand NT$

Area \ Year	2018		2019	
	Amount	Percentage of revenue (%)	Amount	Percentage of revenue (%)
The Americas	30,392,639	54.22	30,742,987	49.39
Asia	15,273,419	27.25	14,715,950	23.64
Europe	10,263,783	18.31	16,690,134	26.82
Others	119,835	0.22	90,511	0.15
Total	56,049,676	100.00	62,239,582	100.00

Market share

From its establishment in 1996 WNC has continuously developed wireless technology, accumulating much practical experience, and achieving the following milestones:

- Highest revenue of listed network communications manufacturers in Taiwan
- Largest worldwide supplier of satellite TV antennas
- Leading supplier of in-vehicle satellite radio and vehicle network devices
- Major supplier of in-vehicle wireless modules, HF radar products, and smart meter communication solutions
- Preferred partner of key global chip suppliers for enterprise-level wireless communications products
- 30% market share of laptop built-in antennas (no. 1 globally)

In terms of mobile communications networks and enterprise-level wireless devices WNC is second-to-none as a global supplier. In addition to long-term development of 3G and 4G technology the company was a pioneer in the development of 5G technology as well as being the first company to release enterprise-level IEEE 802.11ax products. These indicate that WNC's technological capability and product quality is recognized by customers from each industry. In the future, WNC will continue to follow its core values to serve its customers.

Future market status and growth potential

Improvements in Internet technology bring about new applications, which in turn lead to the development of various new technologies. Then, as the new technologies are commercialized, the Internet requires further upgrades, forming a never-ending cycle of technological advancements. As we progress toward the goal of a completely wireless world, wireless technologies have developed from one-way control to two-way communications tools. In the future, wireless power/energy transfer will free human creativity from the constraints of power cables, leading to major advancements in product design. As a leader in broadband communications, WNC has always believed that broadband wireless technology development is a never-ending journey. Just as athletes always strive to become faster and stronger, companies are continually working to increase the transmission speed/distance and lower the power consumption of communication technologies. Through this process, we have learned how to overcome environmental, physical, and cost limitations to painstakingly craft our products. In today's overly saturated consumer electronics market, products need to become more refined to remain competitive. Service suppliers, brand companies, and system integrators are starting to emphasize ease-of-use, aesthetics, and low power consumption, because in today's world, electronics products not only need functionality, but also need to focus on various design aspects and find a balance within limitations. In the age of integration, the only companies that can survive are those who have mastered diverse technologies and have extensive experience in development. WNC has a solid foundation in wireless communications technologies, and our software development and system integration capabilities are core competencies that our customers rely on. These unique traits and our know-how are the reasons that WNC is continuing to grow and thrive today.

Competitive Advantages

■ Competitive advantages of WNC

- Professional management team

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

- Complete product technical solutions

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

- Comprehensive quality management systems

WNC devotes itself to product and service quality and efficiency and has continually made improvements to its management systems. The management system certifications that WNC has obtained include: Quality-related certifications such as ISO 9001:2015, IATF 16949:2016, TL9000-H R5.5/M5.0, ANSI/ESD S20.20:2014, and ISO/IEC 17025:2005; green product certifications such as IECQ QC 080000, SONY Green Partner, and FSC™ Chain-of-Custody; ESH-related certifications such as ISO 14001:2015, ISO 14064-1:2006, OHSAS 18001:2007, CNS 15506:2011, and ISO 50001:2011; and information safety-related certifications such as ISO/IEC 27001:2013 and AEO. WNC also continues to implement Six Sigma and Business Process Improvement (BPI) projects in order to provide the highest quality products and services to our customers. WNC established a complete customer advisory system and after-sales service to enhance customer satisfaction and maintain long-term partnerships.

- Lean cost control mechanism

The market size is continuously growing, and WNC is always able to maintain its advantage by maintaining competitive economies of scale. By its lean cost-control mechanism, WNC not only assures the company's steady profit-making capabilities but also continuously improves the company's total operational performance.

Future development factors and strategies in response

Type	Description
Favorable factors	• 5G and mmWave 2019 can be described as the first year of the 5G era. With a need for high speed, low latency, and widespread deployment every large operator and network and communications manufacturer has joined in the roll out of 5G. The deployment of 5G has also simultaneously driven the upgrade of basic network infrastructure. This next-generation virtualized infrastructure requires higher speed bandwidth networks and operational elements, in turn bringing about increased business opportunities. Apart from WNC’s investment in 5G technologies, from some years ago the company was already involved in millimeter wave products such as 802.11ad, satellite communications equipment, vehicle radar etc. Because of this we began R&D of 5G mmWave products from an advantageous forward position. In addition to wireless networks WNC is already shipping high level wired network equipment, and is gradually winning a place in wired network technology fields, participating alongside the major basic infrastructure players. • AIoT Smart products have existed in the consumer market for some time, but in recent years, advancements in AI have boosted the value of such products. Increasingly advanced algorithms and deep learning provided by big data analysis have helped smart products become more personable and better able to adapt to different usage scenarios. However, with convenience comes new issues. Increased bandwidth loading, increased network latency, and security concerns are all issues that need to be quickly addressed. Thus, it is necessary to properly allocate the processing resources of smart products so that time-critical data that requires secure transfer is transmitted by the quickest and most secure method, and that this data is transferred back on a secure and stable network to enhance the overall user experience of smart products. These requirements have previously and repeatedly been discussed during the development of autonomous vehicles. Developers and manufacturers of smart products will create many new opportunities and face many new challenges.

Type	Description	Response measures
Unfavorable factors	• Slow economic growth According to the evaluation report of the World Bank, in comparison with 2019 economic growth in 2020, was originally expected to rebound. However, due to the conflagration of the US-China trade war and the impact of COVID-19 on supply chains, the overall outlook for the global economy is gloomy.	In response to the US-China trade war WNC took the initiative to establish factories in Vietnam (V1) and Tainan (S2) giving customers greater flexibility in choice of manufacturing locations. Now, with the onset of the COVID-19 pandemic we have accelerated the optimization of global capacity as well as the upgrade of supply chains. In this way production yields can be improved and revenue and profit growth increased.
	• Operational costs have increased and customer costs have been reduced Labor costs in mainland China are continuously rising due to local regulations, and this has placed great pressure on the entire manufacturing industry regarding cost of materials and manufacturing. Current operators need to invest in even larger scale equipment for 5G take up, thus also needing to massively reduce operational costs and capital expenditure. Global political risks and uncertainties still exist, which may have a direct or indirect influence on the operations and profit-earning ability of the company.	In addition to establishing the Vietnam (V1) plant to lower labor costs, WNC maintains flexible marketing strategies with rapid product integration development capability. Match the right product to the right niche market while responding to market demand. Take measures to pursue maximum profits, expand the scope of operations, and lower manufacturing costs. Meanwhile, as operators seek to reduce costs and switch from branded to unbranded equipment it is both a challenge and an opportunity for WNC who has maintained good relationships with these operators.
	• Exchange-rate fluctuations influence company profits Since WNC is mainly focused on export sales of products, changes in exchange rates can affect the profitability of the company.	The finance units must focus on changes in exchange rates and the demand for capital at all times and take all necessary measures to mitigate risks.

5.2.2. Primary Applications of Major Products and Production Processes

Primary Applications

Type	Functions and features of products	Main applications
Antenna Solutions	• Key technologies include satellite antennas, multi-band antennas and embedded antennas (for use in laptops and tablets). • Provision of fast and complete customization services according to different system requirements, as well as antenna modification designs in accordance with ECN. • Cutting edge manufacturing equipment, high performance processes and reliable automated production enable processes to be adjusted according to different product application environments, ensuring antenna quality and cost effectiveness. • IoT module solutions for connectivity devices, platforms include Bluetooth, Bluetooth Low Energy, UHF RFID and NFC.	• Signal receiving and transmission for all kinds of wireless communication devices • Wireless receiving and transmission for IoT devices • Satellite HF signal receiving and transmission
Module Solutions	• Provision of all kinds of form factors and technologies (Wi-Fi, Bluetooth, 3G/4G/5G, mmWave, LPWA) in support of a wide range of application requirements. • Specialized RF design capability to enhance transmission strength and achieve outstanding performance. • Module and system design experience, automated production and test process capabilities, monthly output can achieve millions of units. • System in Package capabilities means requirements for small form factor IoT device manufacturing can be easily met.	• Expansion and flexible conversion of a wide range of wireless communications technology
Internet access solutions	• 3G/4G user equipment • Verification of 5G vRAN software/hardware platforms • 5G mmWave High Power CPE & Repeater • Enterprise networks software/hardware platforms • Precision integration of wireless and wireline networks • High speed next generation fiber optics network (XGS-PON, NG-PON2, etc.) access equipment and platform integration	• Enterprise intranet construction and management • Telcom WAN end user access • Wi-Fi hotspot equipment
Smart home solutions	• Integration of cutting edge IPTV technologies such as DRM, middleware, Video on Demand, and high performance chip sets for UHD and FHD OTT decryption. • Specialized design and manufacture of antennas and signal converters for all types of DBS product applications. • Capability in system integration design of high frequency circuits, antenna feed subsystems and dish reflectors, so as to achieve highest product performance and smallest form factor. • Integration of all kinds of wireless technologies, supporting monitoring and control of all types of smart devices. • PSIA certified full-HD indoor/outdoor IP cameras with HDR and image analysis functions	• Sharing, broadcast and control of multimedia content • Smart home security monitoring

Type	Functions and features of products	Main applications
Enterprise networks and data center solutions	• Enterprise Wi-Fi terminal access gateways and Mesh software design • Enterprise mmWave P2P Base Station Backhaul • Data center 400G grade spine switch • Data center Leaf/TOR (Top Of Rack) switch • vCPE/uCPE for SD-WAN	• Enterprise use LAN and management systems • Software Defined Networks and data centers and core network equipment
AIoT solutions	• Smart meters: supplying 3G/4G communication module solutions to Europe, US, Japan, Australia markets as well as home use meter communication modules and smart meter communication hubs • Satellite positioning asset trackers • Wearable satellite positioning asset trackers • Hybrid cloud computing self-organizing network (SON) wireless relay system prototypes • IoT hybrid cloud system big data processing software and SON software • Hybrid cloud environment IoT learning system design • System integration and verification ability approved by major European, US and Japanese operators	• Wireless communications for IoT vertical applications markets
Automotive solutions	• TS16949 verification equipment, complete testing lab and quality control systems for end to end services • Telematics: WLAN/Bluetooth, 3G/4G automotive communication modules and other telematics applications • Vehicle trackers: high level system integration capability for US/Japan/Europe markets OBD-II and fleet management devices • Contract SDARS module manufacturer for major US satellite broadcasters • Tier 2 supplier for international automobile manufacturers, skilled in design and manufacture of RF and microwave related products for satellite and terrestrial communications applications • Comprehensive design and R&D capabilities in HD Radio™ satellite broadcast and DAB broadcast products • Scalable and price competitive blind spot detection (BSD) radar sensor solutions • Complete 24 GHz and 76/77 GHz technology portfolios, supporting advanced driver assistance system (ADAS) applications and functions	• Telematics receiving and network equipment • Vehicle-to-everything (V2X) equipment • Advanced Driver Assistance Systems (ADAS)

Production Process

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

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

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

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

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

Key Buyers: None

Key Suppliers: None

5.2.5. Production Value During the Most Recent Two Years

Unit: Thousand NT$

Major product \ Production \ Year	2018			2019		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless communications products	332,000,000	330,431,921	55,369,855	268,000,000	265,720,061	64,385,983

Note: WNC's major products are wireless communications products. The changes in capacity and quantity were primarily caused by changes in the product portfolio.

5.2.6. Sales Value During the Most Recent Two Years

Unit: Thousand NT$

Major Product \ Sales \ Year	2018				2019			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless communi-cations products	15,648,762	1,918,118	244,501,917	52,176,715	12,862,517	1,860,055	189,053,621	58,566,947
Others	0	297,171	0	1,657,672	0	165,209	0	1,647,372
Total	15,648,762	2,215,289	244,501,917	53,834,387	12,862,517	2,025,264	189,053,621	60,214,318

5.3. Employee Data During the Most Recent Two Years and the Current Fiscal Year up to the Date of Printing of the Annual Report

Year		2018	2019	Jan. 1, 2020–Mar. 31, 2020
Number of employees	Sales	339	400	406
	Research and development	1,113	1,204	1,230
	Manufacturing	1,140	1,886	1,828
	Administration	617	682	631
	Direct labor employee	6,703	7,014	6,933
	Total	9,912	11,186	11,028
Average age		33.49	32.04	31.76
Average years of service		4.2	3.2	3.26
Education	PhD (%)	0.38	0.40	0.35
	Master's (%)	10.70	11.00	11.19
	Bachelor's (%)	33.02	35.30	34.13
	Others (%)	55.89	53.30	54.33

5.4. Environmental Protection Measures

In our technology-intensive industry, WNC's main manufacturing processes cover the fields of SMT, precision assembly, product testing, and technical development. These processes produce little pollution. Although WNC is not included in the industries that are regulated for waste emission control by the Environmental Protection Administration (EPA) according to relevant stipulations, WNC is taking the initiative to improve our environmental protection measures. WNC utilizes appropriate equipment to process waste gas produced during manufacture to reduce environmental impact, and arranges for testing at a fixed interval to detect waste gas density in order to ensure our processing efficiency. In managing waste materials, WNC has entrusted qualified suppliers that are recognized by the EPA to conduct waste clearance and processing, and to file declarations electronically in accordance with the relevant legal stipulations. In addition, we have made arrangements for our suppliers to conduct on-site audits at a fixed interval to ensure the process flows and the suppliers' processing methods are in compliance with relevant regulations to prevent pollution-related issues from arising. WNC has been certificated based on the ISO 14001 environmental management system since 2005, and has been conducting systematic management to ensure full implementation of operational policy and its continuous improvement. WNC successfully obtained the ISO 14001:2015 certificate in November 2017 and passed third party verification in October 2019 to maintain the validity of the certificate.

To enhance corporate social responsibility and strive for environmental sustainability, WNC has in-plant energy-saving, carbon reduction, and waste reduction plans designed to promote illumination energy conservation, rainwater recycling, and reuse of waste in our factories and their vicinity. Further, a plan to construct solar panels at different sites was launched in 2017, and green electricity was officially adopted in December 2017 in the WNC headquarters. Solar panels were also installed in Hsinchu (S1) plant as planned and became operational in 2018. In 2018, we purchased the Tainan (S2) plant, where solar panels were also installed. Currently, all WNC sites in Taiwan have adopted green electricity. In 2020 construction will begin on the S3 plant in the Tainan Science Park. Solar power generation systems have already been incorporated in the design.

Following the introduction of the ISO50001 energy management system in 2017, WNC worked with ITRI in the development of an energy management platform in 2018. Energy baselines are established through data collection and modular computing, which enables real-time monitoring of energy use. The system automatically distributes energy and resource usage reports, assisting monitoring and management by the responsible units so that abnormalities can be detected at an early stage. Focus is placed on high-power consumption units and equipment, enabling management to reduce consumption and waste and to achieve energy conservation, carbon reduction, and reduce impact on the environment.

In order to control the company's greenhouse gas emissions more accurately, WNC participated in the GHG inventory counseling program organized by the Hsinchu Science Park Bureau in June 2018, in which the Taiwan Green Productivity Foundation offered guidance on the establishment of a management system. The system was introduced in September 2018, allowing comprehensive identification of carbon emission sources and calculating the carbon dioxide equivalents of different plants, with verification performed by a third party in April 2019. This data can be used as a basis for in the subsequent formulation of carbon reduction measures.

5.4.1. Total losses (including compensation) and fines for environmental pollution in the most recent fiscal year and the current fiscal year up to the date of printing of the annual report:

WNC did not/does not have any environmental pollution issues. Therefore, there were no fines nor losses incurred.

5.4.2. Countermeasures and possible expenses in the future:

WNC is striving to contribute to environmental sustainability and is accordingly moving towards a goal of having green plants. We established multiple in-plant energy-saving, carbon-reduction, and waste reduction projects in 2019 and met our annual carbon and waste reduction goals.

In the face of issues such as the US-China trade war, the lack of sufficient land, water, power, manpower, and talent in Taiwan as well as a sixth insufficiency, waste handling capacity, with international shipping bringing about more and more waste packaging materials with a corresponding large increase in collateral costs and in 2019 WNC launched a response. In addition to cooperating with higher quality waste processing contractors to achieve greater cost savings in waste processing, and looking for up and downstream synergies to leverage opportunities to reuse waste materials, in 2020 we will continue to promote waste reduction programs.

In 2019 the WNC Hsinchu (S1) plant has continued to expand capacity with a large increase in production line workers. In order to ensure that waste water levels remain within legally stipulated standards, in December of 2019 an investment was made in construction of an internal waste water processing facility. It is projected to go online in the second quarter of 2020.

In 2020, in response to the alterations to ISO50001 (energy management systems), in addition to promoting a system upgrade program, WNC Tainan (S2) plant has been included in annual verifications and energy usage conditions at all plants are being effectively monitored to ensure resource use is generating waste.

5.5. Labor Relations

5.5.1. Benefits, continuing education, training, and pension systems for employees and their implementation status, as well as labor agreements and various measures that protect employee rights:

■ Employee benefits:

- Taiwan sites:

  Employees at Taiwan sites have labor insurance and National Health Insurance as required by law. In accordance with related laws, the Employee Welfare Committee handles items related to employee welfare, such as distributing welfare funds in accordance with regulations and organizing activities and gatherings for employees. Other employee benefits include childbirth subsidies, wedding cash gifts, funeral subsidies, and birthday/holiday gifts. Employee recreation centers, reading rooms, health centers, massage services, lactation rooms, and designated parking spaces for women, including pregnant women, are also available at WNC's Taiwan sites.
- China sites:

  As required by law, employees at WNC's China sites have comprehensive insurance coverage (five types of insurance and a mutual housing fund) as well as accident insurance. A union and an employee meal service committee have been established, and events such as dinner gatherings and arts/outdoor activities are held for employees. Other benefits include childbirth subsidies, holiday gifts, and raffle drawings. There are also employee recreation centers and reading rooms.
- Vietnam site:

  As required by labor laws, employees at WNC's Vietnam site have medical insurance, social insurance, unemployment insurance, occupational injury insurance, and may establish a union. Other employee benefits include birthday/holiday gifts, and care given to employees who encounter family difficulties.

■ Employee education and training:

Classroom-based courses and the eHRD online learning system provide WNC employees with convenient learning channels that enable busy employees to arrange classes that fit their schedules, thus improving flexibility and learning efficiency. To ensure class quality, after-class surveys are conducted to ascertain employees' understanding of the classes, assess the teaching skills of instructors, and seek advice on how to improve future courses.

WNC also encourages employees to participate in external training, including conferences, seminars, and professional training and education courses, to broaden the scope of occupational training. Subsidies are provided for employees taking such training.

Through the establishment of a comprehensive internal instructor system, WNC is able to quickly cultivate the talent it needs and to implement training in the form of work cases for employees to share and discuss. This allows employees to quickly learn skills that they can apply to their work, which in turn deepens their occupational competency and establishes the talent and teams that WNC requires.

WNC has always placed great emphasis on providing employees with training on professional skills and knowledge, management skills, company culture, and related items. Five WNC colleges have been set up for the planning and implementation of employee training in accordance with WNC's 2019 directives. The directors of each college are responsible for the training programs, class quality, and training efficacy of their college. In addition, an AI and Digital College was established in December 2019 to handle matters relating to AI and digital learning. In 2019, the amount of time spent on training employees at Taiwan sites was 72,143 hours, of which 58,597 hours were spent on IDL employee training and 13,546 hours were spent on DL employee training. A total of 2,338 IDL employees and 1,766 DL employees underwent training during the year. Joint classes were held with academia, other companies in the industry, and suppliers, and the professionalism of the courses was lauded by employees. Recurrent training was also arranged so employees could review what they had learned and enhance their learning and growth.

Areas of emphasis for WNC colleges in 2019:

- Management College
  The Management College focuses on the cultivation of management skills for supervisors. Courses are established in accordance with the management responsibilities of supervisors at various levels, and their content includes the cultivation of managerial, leadership, motivational, training, self-growth, and other skills required of supervisors and key talent, as well as the cultivation of comprehensive business management skills for mid- to high-level supervisors. In 2019, the Management College organized a total of 58 courses aimed at improving the management capabilities of supervisors at various levels and providing targeted training for specific personnel.
- Marketing College:
  In accordance with WNC's operational directives and global trends, the Marketing College's courses focus on project management, the job duties of sales personnel, and professional knowledge, aiming to cultivate talented marketing and sales personnel by instilling knowledge regarding project management, cost control, industry trends, market data, customer analysis, briefing/communication skills, conference skills, international trade, customer management, and other service skills. In 2019, the Marketing College organized a total of 9 courses. High-level supervisors were invited to share their successful strategies and experiences in interacting with customers. Through such sharing and interaction, employees can learn from each other and grow as a whole.
- Research and Development (R&D) College:
  Besides implementing basic R&D course training, the R&D College has, in accordance with WNC's R&D directives, divided R&D into six primary areas, established an R&D forum, and introduced new R&D methods to enrich the knowledge of R&D personnel and stimulate innovation. The WNC RD Forum (WRDF), established in 2011, has fostered cross-disciplinary technology exchanges and learning, enabling R&D personnel from different fields to obtain a more comprehensive perspective and share design ideas regarding innovation and R&D. A chairman from each area participates in course planning. Through industry-academia cooperation, outside experts are invited to serve as instructors and to help continuously build employees' technological knowledge and expertise. In 2019, the college organized 18 courses, including professional courses in various technical fields.
- Manufacturing Quality College:
  The goals of the Manufacturing Quality College are to help implement WNC policies related to quality and provide customers with high quality, competitive products. The college provides courses on 6 Sigma, manufacturing processes, green product design, quality systems, equipment, and problem analysis/solving, as well as courses regarding training for, and application of ISO/IATF 16949, IECQ QC080000, TL9000, and other quality standards. All new employees participate in ANSI/ESD training courses. This college also conducts annual recurrent training and internal ANSI/ESD auditor training. In 2019, the Manufacturing Quality College organized 35 courses.
- General Knowledge College:
  During their probation period, new employees take a total of 18 mandatory e-learning courses to enable them to quickly understand WNC's culture, work environment, information safety (ISO27001), and system operation methods, as well as to enhance their work efficiency and self-management capability. The college also formulates and administers training courses in accordance with occupational safety regulations, and organizes many occupational safety and health competency and skills training courses to enhance the occupational safety and environmental awareness of employees. In 2019, the General Knowledge College organized 73 courses, including courses on operational safety, occupational disease prevention, emergency response drills, teamwork, internal lecturer training, and more. Training was also provided to mentors of new employees to give mentoring tips, teach them how to better understand new employees, and how to assist new employees adapt to their work environment and become a part of the WNC family.
- AI and Digital College:
  In December of 2019 WNC established an AI and Digital College in order to effectively integrate, study and share internal and external resources in response to the rapid development in recent years of AI and digital tools. The College will convene information, software, R&D and automation supervisors to form a management committee as well as forming a learning unit, a platform unit and a project audit unit to carry out the planning and promotion tasks of the College and to unify AI and digital learning related matters. In 2019 a masters' seminar and two online courses were hosted, enabling employees to learn

about the current development and limitations of AI.

- Pension system:
  - Taiwan sites:
    For the benefit of employees after their retirement, WNC's Taiwan sites have established regulations regarding employee retirement in accordance with the Labor Standards Act and the Labor Pension Act. These regulations cover retirement conditions, payment standards, procedures used to apply for pensions, and the payment of pensions. Besides providing six percent of an employee's monthly wage as pension for eligible employees as per the Labor Pension Act, WNC has also established the Employee Pension Supervisory Committee to oversee the employees' pension fund in accordance with law. This committee allocates pension preparation funds monthly according to our regulations on the appropriation and management of employee pensions, and deposits funds at a designated financial agency, in an account under the name of the Employee Pension Supervisory Committee.
  - China sites:
    WNC's China sites provide 20% of an employee's monthly wage each month as pension for eligible employees as per related labor and social insurance laws of the People's Republic of China.
  - Vietnam site:
    WNC's Vietnam site provides 21.5% of an employee's monthly wage each month as pension for eligible employees as per related insurance laws of Vietnam.
- Labor agreements:
  - Taiwan sites:
    WNC's Taiwan sites: Labor management and Employee Representative Committee meetings are held regularly to communicate and coordinate items related to labor-management cooperation, improve measures that protect employee rights, and review/enhance labor relations.
  - China sites:
    For WNC's China sites, meetings between high-level supervisors and employees are arranged to regularly communicate and coordinate labor-management cooperation and other items related to the enhancement of employee rights.
  - Vietnam sites:
    Group agreements have been stipulated. The company representatives are arranged to quarterly communicate with employees, so as to enhance labor relations.

5.5.2. Losses due to labor dispute in the past year and up to when the annual report is published (including violations of the Labor Standard Act as discovered in inspections, list date of violation, violation number, legal regulation violated, content of violation, content of penalty): N/A

5.5.3. Possible current and future estimated monetary amounts and countermeasures: N/A

5.5.4. WNC has established various rules and regulations regarding employee behavior and ethics and expects employees to understand the moral and ethical standards they must uphold in their work as well as their rights and duties. The rules and regulations are as follows:

- WNC's 10 beliefs and 10 principles: Since its establishment, WNC has been very active in cultivating its company culture. The 10 beliefs and 10 principles have thus been established for all employees to follow.
- Service principles in work regulations: Employees shall comply with the service principles stated in WNC work regulations, including principles related to company honor, team spirit, and loyalty, to enable us to gain the respect and trust of customers, suppliers, and industry players.
- WNC Employment Regulations: Principles regarding human resource management and employee behavior are explicitly stated and listed in WNC's work regulations.
- Chart detailing hierarchical human resource management responsibilities: This chart stipulates the authorization levels for various levels of management in WNC regarding issues related to human resources.

- Measures for the Prevention and Punishment of Sexual Harassment in the Workplace: These regulations have been established to prevent sexual harassment, protect the dignity of employees, and ensure workplace equality.
- Employee leave regulations: These regulations include descriptions and related rules regarding various types of employee leave.
- Regulations for governing employee overtime work and compensatory leave: These regulations list the definitions of overtime work and compensatory leave, how the hours for such work and leave are calculated, and how to apply for overtime work or compensatory leave.
- Implementation measures for annual leave: These measures state the method by which special leave days are calculated, how unused annual leave is handled, and other related regulations.
- Employee performance evaluation regulations: These regulations detail the procedures for employee performance/goal management and performance evaluation. The results of performance evaluations will be used as a basis for promotions, salary raises, bonuses, and employee training/development. The results will also be used to demonstrate what is expected of employees.
- Procedures for evaluating employees during their probation period: These procedures are used to evaluate new employees to ascertain whether their performance (including behavior) meet WNC requirements. The results of these evaluations are used to decide whether employees meet the standards of official employees.
- Regulations governing the posting of announcements on the WNC website and employee Internet usage: These regulations provide a set of rules for the posting of announcements on the WNC website and employee Internet usage to prevent misuse of network resources and ensure work discipline.
- Procedures governing employee awards and punishments / Procedures governing DL employee awards and punishments regarding quality and discipline: These procedures list the standards and processes for employee awards/punishments.
- Regulations governing employee resignation procedures: These regulations stipulate how employees, supervisors, and HR personnel in charge of handling resignation shall handle the resignation process.
- Regulations governing employee changes: These regulations stipulate how employees, supervisors, and HR personnel in charge of handling job assignments shall establish employee shift schedules and handle procedures related to internal job changes.
- Code of Ethical Conduct: The WNC ethical behavior code of conduct helps ensure that employee behavior complies with ethical standards and enables stakeholders to better understand WNC’s ethical standards.

5.5.5. WNC has adopted the measures below to provide a safe work environment and ensure employee safety:

- ESH principles: WNC has announced ESH policies and established ESH management rules which provide employees with a point of reference regarding ESH compliance and management, demonstrating WNC’s strong emphasis on ESH principles.
- ESH units: The unit responsible for safety and health operations in WNC sites is a top-tier unit. In accordance with regulations, each unit has its occupational safety and health supervisor as well as occupational safety and health management personnel. The unit also includes special operations personnel, including a production process supervisor, who ensure work safety is maintained in operation areas in order to protect the health and safety of personnel.
- Management systems: WNC regularly conducts checks to ensure that it is in compliance with the ISO 14001 environmental management system standard, OHSAS 18001 occupational health and safety management system standard, and the CNS 15506 occupational health and safety management standards.
- WNC has established an ESH management system committee, with the WNC's CEO serving as the Chairperson and the heads of WNC’s Business Groups and Business Units serving as committee members. The committee convenes management and review meetings regularly to ensure that WNC’s ESH management systems retain their effectiveness and suitability and are continually improved.
- WNC conducts regular assessments of domestic and international occupational safety and health regulations as well as the requirements of stakeholders to ensure WNC is compliant with relevant requirements.
- WNC conducts annual internal and external audits and regularly organizes training for its internal audit personnel (including initial and recurrent training). Reviews on the teamwork operations of ESH management systems are conducted, and improvements to this aspect are constantly made.
- ESH management performance indicators (including management plans) are established to regularly review the implementation and effectiveness of ESH management systems.
- WNC conducts assessments of environmental protection factors and occupational safety and health risks and also implements management and control of pollutants according to their characteristics and risk level to effectively reduce environmental pollution and the safety and health risks for employees.

- Emphasizing communication between internal/external units is beneficial for benchmarking and implementation of ESH items and establishing good relationships with other companies near WNC.
- WNC is continually and actively implementing employee health management, health promotion, and occupational disease prevention plans, as well as annually monitoring the work environment to protect the safety and health of its employees.

■ In accordance with regulations, WNC employs qualified and licensed personnel particular to each task, and also provides the following education and training:

- Safety and health education and training for new employees.
- Safety and health education and training for all WNC employees.
- Training and establishing one qualified first aider for every 50 employees.
- In accordance with regulations, WNC provides regular on-the-job safety management training to employees responsible for special tasks, such as fire prevention management personnel, supervisors for operations involving organic solvents, personnel in charge of operations involving radiation, operators of equipment involving high pressure gases, and forklift operators. The training provided is adjusted to fit the job requirements of different tasks.

■ Firefighting equipment safety:

- WNC has established a comprehensive firefighting system, which includes alarm systems, escape tools, and firefighting equipment, in accordance with firefighting regulations.
- Inspections on firefighting equipment are conducted monthly. In accordance with regulations, qualified personnel are commissioned to conduct annual maintenance of firefighting equipment, and the maintenance results are reported to the competent authority.
- A monitoring and alarm system for high-temperature/hazardous equipment has been established, and drills have been conducted monthly to ensure the efficiency of real-time warning and risk response mechanisms.
- Team training exercises on firefighting and regional disaster response are held regularly, and training scenarios involving high-temperature/hazardous equipment have been added to improve the firefighting and emergency response capabilities of employees.
- Buildings are inspected for public safety every two years, and inspection results are reported to the competent authority.
- Fire monitoring and control measures for hot work have been implemented.
- WNC's participation in the civil defense force of the Hsinchu Science Park has enhanced its regional mobilization and response capabilities.
- WNC has established cooperative relations with clinics and neighboring companies to enhance emergency rescue capabilities, including a system for providing first aid to injured personnel and for securing their transportation to medical care facilities, in order to save lives and reduce property loss should a major disaster occur.

■ Employee health:

- New employees undergo physical examinations before they report to work.
- Physical examinations, including additional examination items for employees responsible for special tasks, are provided annually.
- Free influenza vaccinations are provided to employees annually.
- Quarterly health lectures are held to increase the health care knowledge of employees.
- Health promotion activities such as cancer screenings, hiking events, and weight-loss programs are held quarterly.
- Physicians make monthly visits to WNC, including on-site visits to operations sites, to provide services such as health consultation and employee reinstatement evaluation.
- The water quality of water dispensers is inspected every two months.
- Articles on health care and disease prevention information are posted on the WNC portal site for employee's reference.
- Inspections on special working areas are conducted every half year to check the levels of chemical substances, organic solvents, dust, and noise. Results of these inspections are provided to employees.

■ Mechanical equipment / personnel safety:

- To lessen operational risk, protective devices are installed on all production-related equipment, safety SOPs are provided, and equipment operators are given education and training.
- Continuous improvement of machines and equipment that carry potential risk of injury so as to prevent occupational injuries.
- Periodic maintenance of production machinery to ensure stability and safety of equipment, lessening operational risk.

- Periodic maintenance of dangerous machinery and equipment is entrusted to qualified contractors and annual inspections are carried out according to the law.
- Scheduled and unscheduled inspections of production equipment/facilities/environments, inspection and supervision of improvements so as to ensure operational safety.
- Qualified electrical technicians are hired to regularly inspect and maintain high and low voltage equipment as well as carry out infra-red safety testing.
- Chemical storage rooms are established near production line areas to store chemical substances. Personal protective gear and other emergency equipment are provided to ensure operational safety and to handle chemical leakages.
- To protect the safety and health of employees, local exhaust systems are installed in special work areas that have quantifiable dust particles in the air, or involve the use of chemical substances and organic solvents. Protective equipment is provided for employees to use.
- Management of chemical substances and chemical accident prevention measures are continually improved to enhance the emergency response capabilities of employees.
- Meetings with contractors are regularly held to keep them up to date with plant regulations. Contractors are required to sign the "Commitment to Work Safety for Contractors in the WNC Plant". Before contractors enter WNC sites, they are briefed on the hazards they may encounter as well as on safety and health/environmental protection regulations.
- Contractors are required to submit a work application to facilitate risk evaluation and preparation of protective measures. Additionally, WNC continues to provide supervisor education to enhance their knowledge on the safety and health management of work supervision and maintain on-site safety and health monitoring. Personnel from the Industrial Safety Department of WNC will conduct an inspection of work sites from time to time to manage and control worksite safety and health.
- Implement toolbox safety meeting system to enhance communications and awareness of safety before construction begins, so as to lessen contractors' and employees' operational risk.
- Occupational safety and health training courses on various topics are held, and information on road traffic and operational safety is posted on internal websites to increase hazard awareness (foresight) ability and self-preservation of employees.

■ Personnel safety control: WNC employees shall wear their ID badge when entering/exiting WNC sites. Security personnel are stationed at the primary entrances and exits of WNC sites. They are responsible for conducting security checks, ensuring employee safety, and protecting the security of WNC property.

■ Food safety and hygiene:

- WNC selects qualified catering companies to provide catering services at WNC canteens, and these companies are required to comply with laws and regulations related to food safety and hygiene.
- Catering personnel undergo regular health examinations. Personnel who have contracted pulmonary tuberculosis, hepatitis, sexually transmitted diseases, and skin diseases that cause pus, or those that are carriers of contagious diseases such as typhoid fever, are prohibited from working as catering personnel.
- WNC requires catering companies to use food ingredients that have passed inspections, and has compiled a key ingredients-vendor list. WNC also conducts audits on the food ingredients used in its canteens from time to time to ensure food safety.
- WNC's general affairs and industrial safety personnel conduct monthly audits to ensure the catering operations and the canteen kitchen's equipment meet safety and sanitation regulations.

■ Environmental protection:

- WNC maintains its environmental management systems to ensure compliance with ISO14001 standards, and continually makes improvements to these systems.
- WNC commissions qualified inspection agencies to conduct tests on wastewater from everyday use, air pollutants, and waste to ensure that WNC is compliant with related regulations.
- Waste-cleanup contractors contracted by WNC have all obtained permits from the Environmental Protection Administration. WNC also conducts on-site audits of waste-cleanup contractors regularly to ensure that their operations comply with regulations.
- WNC has set up suitable waste storage areas in accordance with regulations, and measures have been taken to prevent waste from leaking and polluting the environment.
- At WNC, the reporting and handling of processes related to usage and cleanup of toxic substances and waste are conducted in accordance with regulations.
- WNC promotes green products, has implemented lead-free processes, and has purchased instruments for the inspection of incoming materials in order to meet client requirements and RoHS standards as well as to enhance its green production capabilities.

- Waste sorting and reduction as well as resource reuse management plans have been implemented at WNC.
- To reduce waste, including plastic waste, reusable eating utensils are adopted in WNC canteens, no straws are provided, and employees are encouraged to use reusable bags and cups.
- WNC organizes large-scale activities with environmental protection in mind, including adopting digital media, e-vouchers, and on-line systems to reduce paper usage. These activities provide case studies for reducing carbon emissions and production waste that WNC hopes others may find applicable.
- WNC has adopted a policy which bans the use of conflict minerals in order to help protect human rights, reduce the impact on the global environment, and meet its global corporate social responsibility.
- To reduce greenhouse gas emissions, WNC has incorporated environmentally-friendly designs and measures in its products, such as by reducing power consumption and packaging size.
- WNC proactively participates in government and civil projects focused on environmental protection, such as energy conservation, greenhouse gas inventory reporting, leftover food reuse, and beach cleanup in order to fulfill its responsibility in environmental protection.
- WNC has implemented energy conservation measures and organized green activities to help it reach its carbon reduction goals and encourage employees to protect the environment.
- WNC is continually promoting environmental protection, implementing digital transformation, and enhancing environmental awareness of its employees. It encourages employees to reduce their impact on the environment, and help protect the Earth in their daily work and lives by taking actions such as digitizing operational processes, reducing the amount of leftover food, and using digital media.

5.6. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Plant lease	Wiwynn Corporation	2019.1.7 to 2021.1.6	Plant leasing in Southern Taiwan Science Park	Legal use, priority given to continuous leases
Land lease	Hsinchu Science Park Bureau	2019.8.1 to 2026.12.31	Land leasing	Observance of the law, legal use
	Southern Taiwan Science Park Bureau	2019.10.18 to 2039.10.17	Land leasing	Observance of the law, legal use
Plant lease	Mitac Precision Technology Vietnam Co., Ltd.	2018.11. to 2023.10.31	Plant leasing	Legal use
Authorization	MPEG LA, L.L.C.	2008.1.1 to 2023.12.31 (MPEG4.P2)	Patent licensing	Confidentiality clauses and authorization limits
	MPEG LA, L.L.C.	2014.10.26 to 2020.12.31 (HEVC)	Patent licensing	Confidentiality clauses and authorization limits
	HDMI Licensing L.L.C.	2008.3.18 to 2023.03.17	Patent licensing	Confidentiality clauses and authorization limits
	Dolby Laboratories Licensing Corporation	2015.7.14 to 2020.3.31	System licensing	Confidentiality clauses and authorization limits
	Via Licensing Corporation	2011.6.3 to 2021.6.2	Patent licensing	Confidentiality clauses and authorization limits
	Broadcom Corporation	2015.7.1 to termination from either side	Software licensing	Confidentiality clauses and liability limits
Plant maintenance	SINBON Electronics Co., Ltd.	2017.9.1 to 2022.12.31	Solar photovoltaic (PV) system	Acceptance and warranty clauses

6 Financial Standing

6.1. Most Recent Five-Year Condensed Financial Information

6.1.1. Consolidated Financial Information

■ Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year		Most recent five-year financial information					Jan. 1, 2020–Mar. 31, 2020
		2015	2016	2017	2018	2019	
Current assets		20,621,683	22,718,403	23,448,048	25,793,877	24,637,286	25,709,169
Property, plant, and equipment		6,398,183	6,165,546	5,620,272	6,353,679	7,050,586	6,955,503
Intangible assets		56,773	40,914	49,557	224,088	188,517	163,100
Other assets		779,361	847,049	814,465	792,508	2,560,338	2,585,254
Total assets		27,856,000	29,771,912	29,932,342	33,164,152	34,436,727	35,413,026
Current liabilities	Before distribution	14,858,513	14,621,080	13,878,386	17,094,483	16,197,980	16,537,930
	After distribution	16,098,844	15,927,614	15,235,461	18,460,916	Note	Note
Non-current liabilities		605,028	1,982,192	1,832,317	220,458	2,073,349	2,663,211
Total liabilities	Before distribution	15,463,541	16,603,272	15,710,703	17,314,941	18,271,329	19,201,141
	After distribution	16,703,872	17,909,806	17,067,778	18,681,374	Note	Note
Equity attributable to parent's shareholders		12,392,459	13,168,640	14,221,639	15,849,211	16,165,398	16,211,885
Capital stock		3,353,187	3,531,173	3,667,772	3,894,121	3,902,323	3,902,323
Capital surplus		2,369,850	2,835,611	3,059,564	4,013,683	4,196,118	4,196,118
Retained earnings	Before distribution	6,476,812	7,164,068	7,815,783	8,346,593	8,428,762	8,680,317
	After distribution	5,135,913	5,751,599	6,458,708	6,980,160	Note	Note
Other equity		192,610	(362,212)	(321,480)	(405,186)	(361,805)	(566,873)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	12,392,459	13,168,640	14,221,639	15,849,211	16,165,398	16,211,885
	After distribution	11,152,128	11,862,106	12,864,564	14,482,778	Note	Note

Source: Consolidated financial statements audited by a CPA; 1Q 2020 financial information reviewed by a CPA

Note: The resolution for earnings distribution for 2019 has not yet been approved at the Shareholders' Meeting; the distribution numbers are not listed.

■ Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information					Jan. 1, 2020–Mar. 31, 2020
	2015	2016	2017	2018	2019	
Net operating revenues	52,183,218	52,779,497	56,889,794	56,049,676	62,239,582	13,365,765
Gross profit	6,930,899	7,315,631	7,624,996	7,112,667	7,089,931	1,471,269
Operating income (loss)	2,347,699	2,677,189	2,561,310	2,016,073	1,595,299	237,101
Non-operating income and expenses	201,932	(47,446)	129,324	209,513	288,426	24,280
Income before income tax	2,549,631	2,629,743	2,690,634	2,225,586	1,883,725	261,381
Continuing operations' profit for the period	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173	251,555
Losses from discontinued operations	-	-	-	-	-	-
Net income (loss)	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173	251,555
Other comprehensive income for the period (net after-tax)	(66,478)	(303,839)	(108,420)	(210,625)	24,047	(207,274)
Total comprehensive income for the period	1,906,030	1,738,761	1,955,270	1,718,720	1,485,220	44,281
Profit to parent's shareholders	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173	251,555
Profit to non-controlling interests	-	-	-	-		-
Total comprehensive income to parent's shareholders	1,906,030	1,738,761	1,955,270	1,718,720	1,485,220	44,281
Total comprehensive income to non-controlling interests	-	-	-	-	-	-
EPS before adjusted (NT$)	5.97	5.95	5.76	5.21	3.76	0.64

Source: Consolidated financial statements audited by a CPA; 1Q 2020 financial information reviewed by a CPA

6.1.2. Parent-Company-Only Financial Information

■ Condensed Balance Sheets

Unit: Thousand NT$

Item \ Year		Most recent five-year financial information				
		2015	2016	2017	2018	2019
Current assets		16,766,583	18,652,804	18,000,769	19,610,831	19,097,334
Property, plant, and equipment		2,837,649	3,301,377	3,219,239	4,351,194	5,433,406
Intangible assets		56,179	40,800	49,484	223,995	187,401
Other assets		5,701,877	6,177,635	6,563,629	7,235,636	9,201,993
Total assets		25,362,288	28,172,616	27,833,121	31,421,656	33,920,134
Current liabilities	Before distribution	12,364,801	13,021,784	11,779,165	15,351,987	15,769,241
	After distribution	13,605,132	14,328,318	13,136,240	16,718,420	Note
Non-current liabilities		605,028	1,982,192	1,832,317	220,458	1,985,495
Total liabilities	Before distribution	12,969,829	15,003,976	13,611,482	15,572,445	17,754,736
	After distribution	14,210,160	16,310,510	14,968,557	16,938,878	Note
Equity attributable to parent’s shareholders		-	-	-	-	-
Capital stock		3,353,187	3,531,173	3,667,772	3,894,121	3,902,323
Capital surplus		2,369,850	2,835,611	3,059,564	4,013,683	4,196,118
Retained earnings	Before distribution	6,476,812	7,164,068	7,815,783	8,346,593	8,428,762
	After distribution	5,135,913	5,751,599	6,458,708	6,980,160	Note
Other equity		192,610	(362,212)	(321,480)	(405,186)	(361,805)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before distribution	12,392,459	13,168,640	14,221,639	15,849,211	16,165,398
	After distribution	11,152,128	11,862,106	12,864,564	14,482,778	Note

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

Note: The resolution for earnings distribution for 2019 has not yet been approved at the Shareholders’ Meeting; the distribution numbers are not listed.

■ Condensed Statements of Comprehensive Income

Unit: Thousand NT$

Item \ Year	Most recent five-year financial information				
	2015	2016	2017	2018	2019
Net operating revenues	52,436,179	52,009,586	55,199,381	54,990,399	58,889,906
Gross profit	5,607,299	6,007,178	6,244,293	5,616,720	5,555,906
Operating income (loss)	1,887,661	2,217,721	2,034,102	1,432,790	1,108,061
Non-operating income and expenses	568,762	304,007	467,340	598,099	610,966
Income before income tax	2,456,423	2,521,728	2,501,442	2,030,889	1,719,027
Continuing operations' profit for the period	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173
Losses from discontinued operations	-	-	-	-	-
Net income (loss)	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173
Other comprehensive income for the period (net after-tax)	(66,478)	(303,839)	(108,420)	(201,625)	24,047
Total comprehensive income for the period	1,906,030	1,738,761	1,955,270	1,718,720	1,485,220
Profit to parent's shareholders	1,972,508	2,042,600	2,063,690	1,929,345	1,461,173
Total comprehensive income to parent's shareholders	1,906,030	1,738,761	1,955,270	1,718,720	1,485,220
EPS before adjusted (NT$)	5.97	5.95	5.76	5.21	3.76

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

6.1.3. CPA Opinions in the Most Recent Five Years

Year	Name of CPA firm	Name of CPA	Auditor's opinion
2015	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2016	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2017	KPMG	Sing-Hai Wei, Hai-Ning Huang	Unmodified opinion
2018	KPMG	Hai-Ning Huang, Sing-Hai Wei	Unmodified opinion
2019	KPMG	Emily Tseng, Hai-Ning Huang	Unmodified opinion

6.2. Most Recent Five-Year Financial Analysis

6.2.1. Consolidated Financial Analysis

Item	Period	Most recent five-year financial information					Jan. 1, 2020–Mar. 31, 2020
		2015	2016	2017	2018	2019	
Financial ratio	Total liabilities to total assets (%)	55.51	55.77	52.49	52.21	53.06	54.22
	Long-term debts to property, plant, and equipment (%)	193.69	235.97	273.92	249.45	230.78	242.93
Ability to pay off debt	Current ratio (%)	138.79	155.38	168.95	150.89	152.10	155.46
	Quick ratio (%)	93.12	111.74	119.00	95.45	106.16	96.65
	Interest coverage ratio	92.72	55.75	36.25	28.13	19.46	14.28
Ability to operate	A/R turnover (times)	6.04	5.39	5.72	4.89	4.88	4.45
	A/R turnover days	60	68	64	75	75	82
	Inventory turnover (times)	8.19	7.13	7.65	6.20	6.83	5.8
	Accounts payable turnover (times)	5.37	5.14	6.10	5.52	5.73	4.88
	Average days to sell inventory	45	51	48	59	53	63
	Property, plant, and equipment turnover (times)	8.97	8.40	9.65	9.36	9.29	7.63
	Total assets turnover (times)	2.02	1.83	1.91	1.78	1.84	1.53
Earnings ability	Return on assets (%)	7.72	7.23	7.13	6.32	4.56	3.06
	Return on equity (%)	16.70	15.98	15.07	12.83	9.13	6.22
	Profit before tax to paid-in capital ratio (%)	76.04	74.56	73.36	59.53	48.27	26.79
	Net income ratio (%)	3.78	3.87	3.63	3.44	2.35	1.88
	EPS (NT$)	5.97	5.95	5.76	5.21	3.76	0.64
Cash flow	Cash flow ratio (%)	10.55	23.53	12.26	4.67	28.41	0.86
	Cash flow adequacy ratio (%)	Note 1	95.24	81.47	45.36	68.25	67.8
	Cash reinvestment ratio (%)	3.58	10.17	1.70	Note 2	13.16	0.56
Leverage	Operating leverage	1.50	1.50	1.48	1.60	1.91	2.64
	Financial leverage	1.01	1.02	1.03	1.04	1.07	1.09

Analysis of items whose increased or decreased amounts are above 20% in the last two years:

1. "Interest coverage ratio" decreased mainly due to reduction in net profits before tax.
2. "Return on assets", "return on equity", "net income ratio" and "EPS" decreased mainly due to reduction in net income.
3. "Cash flow adequacy ratio" increased mainly due to increase in net cash flow from operation activities, and reduction in inventory.
4. "Cash flow ratio" increased mainly due to increase in net cash flow from operation activities.

Source: Consolidated financial statements audited by a CPA; 1Q 2020 financial information reviewed and approved by a CPA
Note 1: Financial data calculated according to IFRS standards for less than 5 years
Note 2: Net cash flow generated from operating activities with cash dividends deducted was negative and has no analytical value.

6.2.2. Parent-Company-Only Financial Analysis

Item	Period	2015	2016	2017	2018	2019
		Most recent five-year financial information				
Financial ratio	Total liabilities to total assets (%)	51.14	53.26	48.90	49.56	52.34
	Long-term debts to property, plant, and equipment (%)	436.72	440.70	478.23	364.25	299.47
Ability to pay off debt	Current ratio (%)	135.60	143.24	152.82	127.74	121.10
	Quick ratio (%)	112.84	125.70	132.34	100.87	91.96
	Interest coverage ratio	222.18	70.43	39.77	30.40	21.79
Ability to operate	A/R turnover (times)	5.48	4.57	5.13	4.71	4.71
	A/R turnover days	67	80	71	77	77
	Inventory turnover (times)	21.21	18.89	22.25	16.42	13.23
	Accounts payable turnover (times)	6.12	5.55	6.63	6.18	5.56
	Average days to sell inventory	17	19	16	22	28
	Property, plant, and equipment turnover (times)	20.45	16.94	16.93	14.53	12.04
	Total assets turnover (times)	2.24	1.94	1.97	1.86	1.80
Earnings ability	Return on assets (%)	8.47	7.74	7.56	6.70	4.67
	Return on equity (%)	16.70	15.98	15.07	12.83	9.13
	Profit before tax to paid-in capital ratio (%)	73.26	71.41	68.20	52.15	44.05
	Net income ratio (%)	3.76	3.93	3.74	3.51	2.48
	EPS (NT$)	5.97	5.95	5.76	5.21	3.76
Cash flow	Cash flow ratio (%)	Note 2	30.27	10.05	6.83	18.48
	Cash flow adequacy ratio (%)	Note 1	108.49	100.26	55.01	56.20
	Cash reinvestment ratio (%)	Note 2	15.45	Note 2	Note 2	7.76
Leverage	Operating leverage	1.31	1.29	1.22	1.42	1.74
	Financial leverage	1.01	1.02	1.03	1.05	1.08

Analysis of items whose increased or decreased amounts are above 20% in the last two years:

1. "Interest coverage ratio" decreased mainly due to reduction in net profits before tax.
2. "Average days to sell inventory" increased mainly due to increase in inventory.
3. "Return on assets", "return on equity", "net income ratio" and "EPS" decreased mainly due to reduction in net income.
4. "Cash flow ratio" increased mainly due to increase in net cash flow from operation activities.
5. "Operating leverage" increased mainly due to reduction in net operating income.

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

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

Note 2: Net cash flow generated from operating activities was negative and has no analytical value.

The formulas used for calculating the figures in the above table are as follows:

1. Financial ratio

   (1) Total liabilities to total assets = Total liabilities/total assets

   (2) Long-term debts to property, plant and equipment = (Net equity + non-current liabilities)/net property, plant and equipment

2. Ability to operate

   (1) Current ratio = Current assets/current liability

   (2) Quick ratio = (Current assets – inventory – prepaid expenses)/current liability

   (3) Interest coverage ratio = Net income before interest and taxes/interest expenses

3. Ability to operate

   (1) Accounts receivable (including accounts receivable and notes receivable from operations) Turnover = Net sales/average accounts receivable (including accounts receivable and notes receivable from operations) balance

   (2) Accounts receivable turnover days = 365/accounts receivable turnover

   (3) Inventory turnover = Cost of goods sold/average inventory

   (4) Accounts payable (including accounts payable and notes payable from operations) turnover = Cost of goods sold/average accounts payable (including accounts payable and notes payable from operations) balance

   (5) Average number of days to sell inventory = 365/inventory turnover

   (6) Property, plant and equipment turnover = Net sales/net fixed assets

   (7) Total assets turnover = Net sales/total assets

4. Earnings ability

   (1) Return on assets = [Profit after tax + interest expense × (1 – effective tax rate)]/average total assets
   (2) Return on equity = Profit after tax/average net equity
   (3) Net income ratio = Net income/net operating revenue
   (4) Earnings per share (EPS) = (Net income attributable to shareholders of the parent – preferred stock dividends)/weighted average of outstanding shares

5. Cash flow

   (1) Cash flow ratio = Net cash flows generated from operating activities/current liabilities
   (2) Cash flow adequacy ratio = (Net cash flows generated from operating activities in the most recent five years/(capital expenditure + increase in inventory + cash dividends) in the most recent five years
   (3) Cash reinvestment ratio = (Net cash flows generated from operating activities – cash dividends)/(gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

   (1) Operating leverage = (Net operating revenue – variable operating cost and expense)/net operating income
   (2) Financial leverage = Net operating income/(net operating income – interest expenses)

6.3. 2019 Audit Committee's Review Report

The Board of Directors has prepared the Wistron NeWeb Corporation 2019 business report, financial statements, and the profit distribution proposal. The CPA firm KPMG was retained to audit the financial statements of Wistron NeWeb Corporation and has issued an audit report relating to the financial statements. The business report, financial statements, and the profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Wistron NeWeb Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation, 2020 Annual Shareholders' Meeting

Chairman of the Audit Committee: Robert Hung

March 11, 2020

6.4. Financial Reports

Independent Auditors' Report

To the Board of Directors
Wistron NeWeb Corporation:

Opinion

We have audited the consolidated financial statements of Wistron NeWeb Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Note 3(1), the Group initially adopt the IFRS 16, Leases on January 1, 2019 and apply the modified retrospective approach, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of Receivables

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

Other Matters

Wistron NeWeb Corporation has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with emphasis of matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei Yu Tseng and Hai Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 3,044,019	9	2,354,096	7
Financial assets at fair value through profit or loss－current (note 6(2))	413,746	1	456,251	1
Financial assets at fair value through other comprehensive income－current (note 6(2))	881,372	3	599,008	2
Notes receivable (note 6(2))	354,863	1	465,313	1
Accounts receivable, net (note 6(2))	12,197,747	35	12,196,566	37
Accounts receivable from related parties (notes 6(2) and 7)	145,706	-	168,444	1
Inventories, net (note 6(3))	7,065,304	21	9,090,058	28
Other financial assets－current (note 8)	157,520	1	76,789	-
Other current assets (note 7)	377,009	1	387,352	1
Total current assets	24,637,286	72	25,793,877	78
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(2))	57,722	-	117,821	-
Investments accounted for using equity method (note 6(4))	104,119	-	116,704	-
Property, plant and equipment (notes 6(5) and 7)	7,050,586	20	6,353,679	19
Right-of-use assets (note 6(6) and (12))	1,865,609	6	-	-
Intangible assets (notes 6(7) and 7)	188,517	1	224,088	1
Deferred tax assets (note 6(14))	502,616	1	405,479	1
Refundable deposits (note 7)	17,596	-	16,787	-
Other non-current assets (note 6(2) and (12))	12,676	-	135,717	1
Total non-current assets	9,799,441	28	7,370,275	22
Total assets	**$ 34,436,727**	**100**	**33,164,152**	100

Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
Current liabilities:				
Short-term borrowings (note 6(8))	$ 2,337,552	7	2,610,381	8
Contract liabilities－current (note 6(18))	223,695	1	336,153	1
Notes and accounts payable	9,237,901	27	9,853,505	30
Accounts payable to related parties (note 7)	50,115	-	120,534	-
Salary and bonus payable	1,536,059	4	1,517,585	5
Other accrued expenses	1,682,990	5	1,380,961	4
Provision－current (note 6(9))	143,695	-	163,775	1
Lease liabilities－current (note 6(11))	76,872	-	-	-
Long-term liabilities, current portion (note 6(10))	-	-	82,000	-
Other current liabilities	909,101	3	1,029,589	3
Total current liabilities	16,197,980	47	17,094,483	52
Non-current liabilities:				
Long-term borrowings (note 6(8))	106,000	-	-	-
Deferred tax liabilities (note 6(14))	121,608	-	127,212	-
Lease liabilities－non-current (note 6(11))	1,735,667	6	-	-
Net defined benefit liabilities－non-current (note 6(13))	103,886	-	92,791	-
Other non-current liabilities (note 7)	6,188	-	455	-
Total non-current liabilities	2,073,349	6	220,458	-
Total liabilities	18,271,329	53	17,314,941	52
Equity (notes 6(15) and (16)):				
Ordinary share capital	3,903,293	11	3,738,751	11
Advance receipts for share capital	-	-	155,370	1
Share capital awaiting retirement	(970)	-	-	-
Capital surplus	4,196,118	12	4,013,683	12
Retained earnings	8,428,762	25	8,346,593	25
Other equity	(361,805)	(1)	(405,186)	(1)
Total equity	16,165,398	47	15,849,211	48
Total liabilities and equity	**$ 34,436,727**	**100**	**33,164,152**	**100**

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Net operating revenue (notes 6(18) and 7)	$ 62,239,582	100	56,049,676	100
Operating costs (notes 6(3), (11), (13), (19) and 7)	55,149,651	89	48,937,009	87
Gross profit	7,089,931	11	7,112,667	13
Operating expenses (notes 6(2), (11), (13), (19) and 7)**:**				
Selling	1,915,001	3	1,893,667	3
General and administrative	1,049,392	1	1,006,073	2
Research and development	2,527,767	4	2,196,513	4
Expected credit impairment loss	2,472	-	341	-
Total operating expenses	5,494,632	8	5,096,594	9
Net operating income	1,595,299	3	2,016,073	4
Non-operating income and expenses:				
Other income (notes 6(12), (20) and 7)	394,193	-	214,937	-
Other gains and losses (note 6(20))	5,071	-	79,115	-
Finance costs (notes 6(10), (11) and (20))	(102,063)	-	(82,043)	-
Share of loss of associates accounted for using equity method (note 6(4))	(8,775)	-	(2,496)	-
Total non-operating income and expenses	288,426	-	209,513	-
Income before income tax	1,883,725	3	2,225,586	4
Income tax expenses (note 6(14))	422,552	1	296,241	1
Net income	1,461,173	2	1,929,345	3
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(13))	(16,139)	-	(5,906)	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	222,688	-	(110,540)	-
Income tax related to items that will not be reclassified subsequently (note 6(14))	(15,248)	-	(189)	-
Total items that will not be reclassified subsequently to profit or loss	221,797	-	(116,257)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(247,188)	-	(122,454)	-
Income tax related to items that may be reclassified subsequently (note 6(14))	(49,438)	-	(28,086)	-
Total items that may be reclassified subsequently to profit or loss	(197,750)	-	(94,368)	-
Other comprehensive income	24,047	-	(210,625)	-
Total comprehensive income	**$ 1,485,220**	**2**	**1,718,720**	**3**
Earnings per share (New Taiwan Dollars) (note 6(17))				
Basic earnings per share	**$**	**3.76**		**5.21**
Diluted earnings per share	**$**	**3.71**		**4.95**

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

					Retained earnings				Other equity					
	Ordinary share capital	**Advance receipts for share capital**	**Share capital awaiting retirement**	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappropriated retained earnings**	**Total**	**Exchange differences on translation of foreign financial statements**	**Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income**	**Unrealized gains or losses on available for sale financial assets**	**Deferred compensation cost**	**Total**	**Total equity**
Balance as of January 1, 2018	$ 3,667,772	-	-	3,059,564	1,796,713	108,123	5,910,947	7,815,783	(244,492)	-	91,144	(168,132)	(321,480)	14,221,639
Effects of retrospective application	-	-	-	-	-	-	35,053	35,053	-	56,091	(91,144)	-	(35,053)	-
Balance as of January 1, 2018 after adjustments	3,667,772	-	-	3,059,564	1,796,713	108,123	5,946,000	7,850,836	(244,492)	56,091	-	(168,132)	(356,533)	14,221,639
Net income for the period	-	-	-	-	-	-	1,929,345	1,929,345	-	-	-	-	-	1,929,345
Other comprehensive income for the period	-	-	-	-	-	-	(4,725)	(4,725)	(94,368)	(111,532)	-	-	(205,900)	(210,625)
Total comprehensive income for the period	-	-	-	-	-	-	1,924,620	1,924,620	(94,368)	(111,532)	-	-	(205,900)	1,718,720
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	206,369	-	(206,369)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	45,225	(45,225)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(1,357,075)	(1,357,075)	-	-	-	-	-	(1,357,075)
Stock dividends distributed to shareholder	73,355	-	-	-	-	-	(73,355)	(73,355)	-	-	-	-	-	-
Due to donated assets received	-	-	-	76	-	-	-	-	-	-	-	-	-	76
Conversion of convertible bonds	-	155,370	-	951,074	-	-	-	-	-	-	-	-	-	1,106,444
Share-based payment transactions	(2,376)	-	-	2,969	-	-	1,567	1,567	-	-	-	157,247	157,247	159,407
Balance as of December 31, 2018	3,738,751	155,370	-	4,013,683	2,003,082	153,348	6,190,163	8,346,593	(338,860)	(55,441)	-	(10,885)	(405,186)	15,849,211
Net income for the period	-	-	-	-	-	-	1,461,173	1,461,173	-	-	-	-	-	1,461,173
Other comprehensive income for the period	-	-	-	-	-	-	(12,911)	(12,911)	(197,750)	234,708	-	-	36,958	24,047
Total comprehensive income for the period	-	-	-	-	-	-	1,448,262	1,448,262	(197,750)	234,708	-	-	36,958	1,485,220
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	192,934	-	(192,934)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	240,952	(240,952)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(1,366,433)	(1,366,433)	-	-	-	-	-	(1,366,433)
Due to donated assets received	-	-	-	16	-	-	-	-	-	-	-	-	-	16
Conversion of convertible bonds	165,342	(155,370)	-	61,128	-	-	-	-	-	-	-	-	-	71,100
Share-based payment transactions	(800)	-	(970)	121,291	-	-	340	340	-	-	-	6,423	6,423	126,284
Balance as of December 31, 2019	$ 3,903,293	-	(970)	4,196,118	2,196,016	394,300	5,838,446	8,428,762	(536,610)	179,267	-	(4,462)	(361,805)	16,165,398

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,		
		2019	2018
Cash flows from operating activities:			
Income before income tax	$	1,883,725	2,225,586
Adjustments:			
Adjustments to reconcile (profit) loss			
Depreciation		1,250,677	1,105,459
Amortization		195,410	94,454
Expected credit impairment loss		2,472	341
Net gain on financial assets and liabilities at fair value through profit or loss		(1,222)	(7,050)
Interest expense		102,063	82,043
Interest income		(36,773)	(34,388)
Dividend income		(43,468)	(33,703)
Compensation cost arising from share-based payment transactions		126,284	159,407
Share of loss of associates accounted for using equity method		8,775	2,496
Gain on disposal of property, plant and equipment		(5,274)	(18)
Adjustment for other non-cash-related losses, net		29,142	6,917
Provision for inventory devaluation loss		232,347	153,455
Provision for allowance for sales discounts		(12,101)	317,404
Total adjustments to reconcile (profit) loss		1,848,332	1,846,817
Changes in operating assets and liabilities:			
Notes receivable		110,450	(217,323)
Accounts receivable		(3,653)	(2,332,279)
Accounts receivable from related parties		22,738	(51,699)
Inventories		1,792,407	(2,539,168)
Other operating assets		(63,763)	(115,042)
Notes and accounts payable		(615,604)	2,125,825
Accounts payable to related parties		(49,670)	42,965
Other operating liabilities		166,614	356,770
Total changes in operating assets and liabilities		1,359,519	(2,729,951)
Total adjustments		3,207,851	(883,134)
Cash flows generated from operations		5,091,576	1,342,452
Interest received		38,426	32,841
Dividends received		43,468	34,062
Interest paid		(99,427)	(67,081)
Income taxes paid		(471,821)	(543,248)
Net cash flows generated from operating activities		4,602,222	799,026
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		-	(7,257)
Capital received from financial assets at fair value through other comprehensive income		423	-
Acquisition of financial assets at fair value through profit or loss		(4,133,790)	(236,889)
Proceeds from disposal of financial assets at fair value through profit or loss		4,177,517	1,712,529
Acquisition of property, plant and equipment		(1,937,375)	(1,876,079)
Proceeds from disposal of property, plant and equipment		37,819	4,071
Increase in refundable deposits		(809)	(9,317)
Acquisition of intangible assets		(178,189)	(231,797)
Increase in other financial assets		(45,000)	-
Net cash flows used in investing activities		(2,079,404)	(644,739)
Cash flows from financing activities:			
Decrease in short-term borrowings		(260,652)	(67,766)
Repayments of bonds		(10,900)	-
Proceeds from long-term borrowings		106,000	-
Increase in guarantee deposits received		6,401	-
Repayment of the principal portion of lease liabilities		(75,047)	-
Cash dividends paid		(1,366,433)	(1,357,075)
Due to donated assets received		16	76
Net cash flows used in financing activities		(1,600,615)	(1,424,765)
Effect of exchange rate changes		(232,280)	(90,257)
Net increase (decrease) in cash and cash equivalents		689,923	(1,360,735)
Cash and cash equivalents at beginning of period		2,354,096	3,714,831
Cash and cash equivalents at end of period	$	3,044,019	2,354,096

See accompanying notes to consolidated financial statements.

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

Wistron NeWeb Corporation and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(amounts expressed in Thousands of New Taiwan Dollars,
except for per share information and unless otherwise noted)

1. Organization

Wistron NeWeb Corporation (the "Company") was founded in Hsinchu, Republic of China (R.O.C.), on December 7, 1996. The registered address of the Company's office is 20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

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

2. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2020.

3. New Standards and Interpretations Adopted

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

A. IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group applied IFRS 16 using the modified retrospective approach, and the details of the changes in accounting policies are disclosed below:

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(11).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group applies the recognition exemptions to its offices, which qualify as short-term leases, as well as its other equipment, which qualifies as short-term leases and low-value asset leases.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at either:

(i) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all its leases.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases:

(i) applied a single discount rate to a portfolio of leases with similar characteristics.

(ii) adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

(iii) applied the exemption not to recognize right-of-use assets and lease liabilities with lease terms that ends within 12 months of the date of initial application.

(iv) excluded the initial direct costs from measuring the right-of-use asset at the date of initial application.

(v) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability on January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

(d) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amount of $1,584,146 as right-of-use assets, including the reclassification of its long-term prepaid rent and finance lease assets, and the amount of $1,516,876 as lease liabilities, respectively. When measuring lease liabilities, the Group discounted the lease payments using its incremental borrowing rate as of January 1, 2019, with a weighted-average rate of 1.32%.

The reconciliation between the operating lease commitments as of December 31, 2018 and the lease liabilities recognized in the initial application date is presented as follows:

	January 1, 2019
Operating lease commitment as of December 31, 2018	$ 702,564
Recognition exemption for:	
short-term leases	(1,967)
leases of low-value assets	(2,523)
Extension options reasonably certain to be exercised	1,289,967
	$ 1,988,041
Discounted amount using the incremental borrowing rate as of January 1, 2019	$ 1,514,784
Finance lease liabilities recognized as of December 31, 2018	2,092
Lease liabilities recognized as of January 1, 2019	**$ 1,516,876**

B. IFRIC 23 *Uncertainty over Income Tax Treatments*

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group estimated the application of the new amendments will not have any material impact on its consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
Amendments to IFRS 3 *Definition of a Business*	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs have been issued by IASB, but have yet to be endorsed by the FSC:

New Standards, Interpretations and Amendments	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

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

(b) Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value; and,

(c) The net defined benefit liabilities are measured as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

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

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

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

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

B. List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

			Percentage of Ownership	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2019**	**December 31, 2018**
the Company	ANC Holding Corporation (ANCH)	Sales and trading of wireless communication products and electronic components	Note 1	100%
the Company	NeWeb Holding Corporation (NEWH)	Investment holding company	100%	100%
the Company	WNC Holding Corporation (WNCH)	Investment holding company	100%	100%
the Company	W-NeWeb Corporation (NUSA)	Sales of satellite communication and portable communication products	100%	100%
the Company	WNC GmbH (NDE)	Services for wireless communication products	100%	100%
the Company	WNC UK Limited (NUK)	Services for wireless communication products	100%	100%
the Company	WNC JAPAN Inc. (NJP)	Services for wireless communication products	100%	100%

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership December 31, 2019	Percentage of Ownership December 31, 2018
the Company	WNC Vietnam Co. Ltd. (NVN)	Manufacturing and sales of satellite communication and portable communication products	100%	Note 2
NEWH	WNC (Kunshan) Corporation (NQJ)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Webcom Communication (Kunshan) Corporation (NYC)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	Wistron NeWeb (Kunshan) Corporation (NQX)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Communication (Kunshan) Corporation (NQY)	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NEWH	NeWeb Service (Kunshan) Corporation (NQC)	Repair and maintenance services for satellite communication and portable communication products	100%	100%

Note 1: The liquidation of ANCH was completed in November 2019.

Note 2: The Company invested in NVN in January 2019. The investment has been included in the consolidated financial statements since then.

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

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising from retranslation are recognized in profit or loss except for the differences in equity instruments at FVOCI, which are recognized in other comprehensive income.

B. Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

(6) Cash and cash equivalents

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

(7) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component are initially measured at the transaction price.

A. Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI and FVTPL.

The Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets measured at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(c) Financial assets measured at FVTPL

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit loss (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, receivables, other financial assets and refundable deposits).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12-months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment as well as forward- looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

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

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(b) Financial liabilities

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

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations has been discharged or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, the cost includes an appropriate share of direct labors and production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment in associates

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

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

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

Unrealized gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset.

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

(a) Buildings: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

(c) Research and development equipment: 5 to 6 years

(d) Other equipment: 3 to 5 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

<u>Applicable from January 1, 2019</u>

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of an asset if either:

i. the Group has the right to the direct use of the identified asset when it has the decision-making rights that are most relevant to the changes on how and for what purpose the asset is used throughout the period.

ii. the decision on how, and for what purpose, the asset is used is predetermined,

(i) the Group has the right to operate the asset, without the supplier having the right to change those operating instructions; or

(ii) the Group designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) fixed payments (including in-substance fixed payments);

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when:

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the assessment regarding the purchase option; or

(d) there is a change in the assessment on whether the Group will exercise an extension or a termination option; or

(e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its offices, which qualify as short-term leases, as well as its other equipment, which qualifies as short-term leases and low-value asset leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

<u>Applicable before January 1, 2019</u>

A. Lessor

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

B. Lessee

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

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

C. Long-term prepaid rent

The cost of land use rights is amortized using the straight-line basis over the lease term of 50 years.

(12) Intangible assets

A. Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over 1 to 5 years for intangible assets.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

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

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

(15) Revenue from contract with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

A. Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

When the Group offers volume discounts to its customers, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refunded liability is recognized for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term, which is consistent with the market practice.

The Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

The Group's obligation to provide a refund for faulty product under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(9).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Rendering of services

Some of the manufacturing and sales contracts of the Group include pre-production activities such as researching, developing, designing and testing of new products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and a consideration is payable when invoiced.

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Share-based payment transactions

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

(18) Income tax

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

(a) levied by the same tax authority; or

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

Deferred tax assets are recognized for the unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(19) Earnings per share

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

(20) Operating segment information

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

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

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

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

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

(1) The loss allowance of receivables

The Group has estimated the loss allowance of receivables that is based on the risk of a default occurring and the rate of ECL. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(2).

(2) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(3) for further description of the valuation of inventories.

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

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

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

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

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

For the assumption used in fair value measurement, please refer to note 6(21) of the financial instruments.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash, cash in bank and checking deposits	$ 1,552,350	868,543
Time deposits	1,491,669	1,485,553
	$ 3,044,019	**2,354,096**

Please refer to note 6(21) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets

Details were as follows:

A. Financial assets at FVTPL:

	December 31, 2019	December 31, 2018
Beneficiary certificates－mutual funds	$ 413,746	344,362
Structured deposits	-	111,889
	$ 413,746	456,251

B. Financial assets at FVOCI:

Equity instruments at FVOCI

	December 31, 2019	December 31, 2018
Current:		
Domestic listed stocks	$ 881,372	599,008
Non-current:		
Foreign unlisted stocks	$ 57,722	117,821

These investments in equity instruments not held for trading, and therefore, are accounted for as FVOCI.

None of the aforementioned stock investments were disposed for the years ended December 31, 2019 and 2018, therefore, there were no transfers of any cumulative gain or loss under equity relating to these investments.

C. Notes receivable, accounts receivable (including related parties), and overdue receivables, net, are as follow:

	December 31, 2019	December 31, 2018	January 1, 2018
Current:			
Notes receivable	$ 354,863	465,313	247,990
Accounts receivable	12,276,757	12,286,849	9,954,570
Accounts receivable from related parties	145,706	168,444	116,745
	12,777,326	12,920,606	10,319,305
Less: loss allowance	(79,010)	(90,283)	(89,942)
	$ 12,698,316	12,830,323	10,229,363

	December 31, 2019	December 31, 2018	January 1, 2018
Non-current:			
Overdue receivable	$ 176,264	176,264	176,264
Less: loss allowance	(176,264)	(176,264)	(176,264)
Overdue receivable, net (recorded in other non-current assets)	$ -	-	-

The Group applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables (including overdue receivables). To measure the ECL, receivables (including overdue receivables) have been grouped based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The expected loss allowance was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 10,835,476	-	-
Past due 0~60 days	1,638,467	-	-
Past due 61~90 days	114,797	-	-
Past due 91~180 days	45,763	-	-
Past due more than 181 days	319,087	80.00%	255,274
	$ 12,953,590		255,274

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 11,345,016	-	-
Past due 0~60 days	1,369,606	-	-
Past due 61~90 days	30,786	-	-
Past due 91~180 days	24,374	0.05%	13
Past due more than 181 days	327,088	81.49%	266,534
	$ 13,096,870		266,547

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

	For the years ended December 31, 2019	2018
Beginning balance	$ 266,547	266,206
Impairment loss recognized	2,472	341
Amounts written off	(13,745)	-
Ending balance	$ 255,274	266,547

(3) Inventories, net

	December 31, 2019	December 31, 2018
Raw materials	$ 4,549,811	5,322,947
Work in process and semi-finished products	683,519	992,578
Finished goods	1,831,974	2,774,533
	$ 7,065,304	9,090,058

The details of operating costs were as follows:

	For the years ended December 31, 2019	2018
Cost of goods sold	$ 54,920,997	48,793,981
Inventory devaluation loss	232,347	153,455
Revenue from sale of scrap	(4,307)	(10,610)
Physical inventory loss	614	183
	$ 55,149,651	48,937,009

(4) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Aggregate information of associates that are not individually material	$ 104,119	116,704

Shares attributable to the Group were as follows:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Net loss	$ (8,775)	(2,496)
Other comprehensive income	-	-
Total comprehensive income	$ (8,775)	(2,496)

(5) Property, plant and equipment

	Buildings	Machinery and equipment	Research and development equipment	Other equipment	Rental assets	Construction in progress and equipment awaiting inspection	Total
Cost:							
Balance as of January 1, 2019	$ 5,866,696	6,179,076	992,125	1,237,983	-	398,527	14,674,407
Additions	160,737	496,141	73,191	129,303	-	1,126,120	1,985,492
Disposals and obsolescence	(6,710)	(347,394)	(7,632)	(73,562)	-	-	(435,298)
Reclassification	(1,344)	684,256	16,343	(5,845)	305,331	(1,035,542)	(36,801)
Effect of exchange rate changes	(71,758)	(107,315)	(2,910)	(33,203)	-	(2,613)	(217,799)
Balance as of December 31, 2019	$ 5,947,621	6,904,764	1,071,117	1,254,676	305,331	486,492	15,970,001
Balance as of January 1, 2018	$ 5,011,239	5,944,146	964,402	1,182,742	-	124,998	13,227,527
Additions	608,175	210,142	48,216	106,458	-	919,186	1,892,177
Disposals and obsolescence	(71,024)	(107,480)	(75,903)	(42,086)	-	-	(296,493)
Reclassification	361,813	208,034	57,211	10,426	-	(643,531)	(6,047)
Effect of exchange rate changes	(43,507)	(75,766)	(1,801)	(19,557)	-	(2,126)	(142,757)
Balance as of December 31, 2018	$ 5,866,696	6,179,076	992,125	1,237,983	-	398,527	14,674,407
Accumulated depreciation:							
Balance as of January 1, 2019	$ 1,780,780	4,846,186	756,499	937,263	-	-	8,320,728
Depreciation for the period	302,700	621,291	99,081	136,169	4,668	-	1,163,909
Disposals and obsolescence	(6,710)	(328,632)	(7,632)	(59,779)	-	-	(402,753)
Reclassification	(1,571)	-	-	(5,663)	1,571	-	(5,663)
Effect of exchange rate changes	(35,606)	(92,997)	(2,064)	(26,139)	-	-	(156,806)
Balance as of December 31, 2019	$ 2,039,593	5,045,848	845,884	981,851	6,239	-	8,919,415
Balance as of January 1, 2018	$ 1,607,502	4,423,606	729,750	846,397	-	-	7,607,255
Depreciation for the period	264,054	591,658	103,681	146,066	-	-	1,105,459
Disposals and obsolescence	(71,024)	(104,861)	(75,903)	(40,652)	-	-	(292,440)
Effect of exchange rate changes	(19,752)	(64,217)	(1,029)	(14,548)	-	-	(99,546)
Balance as of December 31, 2018	$ 1,780,780	4,846,186	756,499	937,263	-	-	8,320,728
Book value:							
Balance as of December 31, 2019	$ 3,908,028	1,858,916	225,233	272,825	299,092	486,492	7,050,586
Balance as of December 31, 2018	$ 4,085,916	1,332,890	235,626	300,720	-	398,527	6,353,679

(6) Right-of-use assets

		Land	Buildings	Other equipment	Total
Cost:					
Balance as of January 1, 2019	$	-	-	-	-
Effects of retrospective application		1,536,749	42,970	10,090	1,589,809
Additions		219,877	155,268	4,955	380,100
Effect of exchange rate changes		(2,349)	(11,589)	-	(13,938)
Balance as of December 31, 2019	$	1,754,277	186,649	15,045	1,955,971
Accumulated depreciation:					
Balance as of January 1, 2019	$	-	-	-	-
Effects of retrospective application		-	-	5,663	5,663
Depreciation for the period		34,171	46,168	6,429	86,768
Effect of exchange rate changes		(63)	(2,006)	-	(2,069)
Balance as of December 31, 2019	$	34,108	44,162	12,092	90,362
Book value:					
Balance as of December 31, 2019	$	1,720,169	142,487	2,953	1,865,609

The Group leases land and buildings, as well as other equipment, under operating leases, for the year December 31, 2018; please refer to note 6(12).

(7) Intangible assets

		Software	Other intangible assets	Total
Cost:				
Balance as of January 1, 2019	$	292,468	86,405	378,873
Additions		59,768	100,128	159,896
Write-off		(66,157)	(2,268)	(68,425)
Effect of exchange rate changes		(109)	-	(109)
Balance as of December 31, 2019	$	285,970	184,265	470,235
Balance as of January 1, 2018	$	172,736	6,305	179,041
Additions		184,860	84,137	268,997
Write-off		(65,094)	(4,037)	(69,131)
Effect of exchange rate changes		(34)	-	(34)
Balance as of December 31, 2018	$	292,468	86,405	378,873

	Software	Other intangible assets	Total
Amortization:			
Balance as of January 1, 2019	$ 124,818	29,967	154,785
Amortization for the period	91,167	104,243	195,410
Write-off	(66,157)	(2,268)	(68,425)
Effect of exchange rate changes	(52)	-	(52)
Balance as of December 31, 2019	**$ 149,776**	**131,942**	**281,718**
Balance as of January 1, 2018	$ 123,935	5,549	129,484
Amortization for the period	65,999	28,455	94,454
Write-off	(65,094)	(4,037)	(69,131)
Effect of exchange rate changes	(22)	-	(22)
Balance as of December 31, 2018	**$ 124,818**	**29,967**	**154,785**
Book value:			
Balance as of December 31, 2019	**$ 136,194**	**52,323**	**188,517**
Balance as of December 31, 2018	**$ 167,650**	**56,438**	**224,088**

(8) Bank borrowings

A. Short-term borrowings

	December 31, 2019			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	USD	2.45%~2.70%	2020	$ 2,021,952
Unsecured bank loans	RMB	4.57%	2020	58,602
Unsecured bank loans	GBP	1.41%~1.45%	2020	256,998
Total				**$ 2,337,552**

	December 31, 2018			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	USD	2.95%~3.58%	2019	$ 2,311,386
Unsecured bank loans	RMB	4.70%	2019	216,168
Unsecured bank loans	EUR	0.70%	2019	43,925
Unsecured bank loans	GBP	1.42%	2019	38,902
Total				**$ 2,610,381**

Please refer to note 6(21) for the disclosure of interest risk, currency risk and liquidity risk.

B. Long-term borrowings

	December 31, 2019			
	Currency	**Annual interest rate**	**Year of maturity**	**Amount**
Unsecured bank loans	TWD	0.7%	2024	$ 106,000

(9) Provisions – current

	Warranties
Balance as of January 1, 2019	$ 163,775
Provisions made for the period	93,969
Provisions utilized during the period	(114,049)
Balance as of December 31, 2019	$ 143,695
Balance as of January 1, 2018	$ 242,420
Provisions reversed for the period	(40,176)
Provisions utilized during the period	(38,469)
Balance as of December 31, 2018	$ 163,775

(10) Bonds payable

	December 31, 2019	**December 31, 2018**
Convertible bonds payable	$ 1,500,000	1,500,000
Less: Accumulated amount of converted bonds	(1,489,100)	(1,418,000)
Subtotal	10,900	82,000
Less: long-term liabilities, current portion	-	(82,000)
Repayment	(10,900)	-
Book value – non-current	$ -	-
Equity element – conversion options (recorded in capital surplus – share options)	$ 74,560	77,169

	For the years ended December 31,	
	2019	**2018**
Interest expense	$ -	14,817

The significant terms of the unsecured convertible bonds payable issued in January 2016 are summarized as follows:

Par value: $1,500,000

Maturity date: January 5, 2019

Coupon rate: 0%

Conversion price: The conversion price is calculated as 104.10% of the basis price, which is the average price among the arithmetic averages of the Company's closing prices for three business days before the basis date. Using the above approach, the conversion price of the issuance was $88 per share. The above conversion price has been adjusted down to $71.3 per share since August 15, 2018.

Conversion method: Except for the closed period, bondholders may convert bonds into the Company's ordinary shares at any time between February 6, 2016 and January 5, 2019.

The Company's 2nd unsecured convertible bonds payable were matured and repaid in January 2019.

Please refer to note 6(15) for the conversion of 2nd unsecured convertible bonds issued in 2016.

(11) Lease liabilities

The carrying amounts of lease liabilities are as follows:

	December 31, 2019
Current	$ 76,872
Non-current	$ 1,735,667

For the maturity analysis, please refer to note 6(21).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 24,037
Expenses relating to short-term leases	$ 34,074
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 3,270

	For the year ended December 31, 2019
Total cash outflow for leases	$ 135,283

A. Real estate leases

The Group leases land and buildings for its office spaces and staff dormitory. The leases of land typically run for a period of 20 years, and the office spaces and staff dormitory for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and office spaces contain extension options exercisable. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

The lease payment of the land contract depends on the current land price set by the local district, and the additional construction cost of the public facilities is adjusted after the calculation. This fee usually occurs once a year.

B. Other lease

The Group leases other equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

In addition, the Group has elected not to recognize the right-of-use assets and lease liabilities for its offices, which qualify as short-term leases, as well as its other equipment, which qualifies as short-term leases and low-value asset leases.

(12) Operating lease

A. Lessee

For the year ended December 31, 2018, $101,144, was recognized as expenses in profit or loss in respect of operating leases. The Group entered into a land lease agreement with the Hsinchu Science Park Administration. The period of the land lease agreement is twenty years. The monthly rent is $3,480. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2019 and 2018, the operating leases of $39,094 and $5,205, respectively, were recognized as rental income.

C. Long-term prepaid rent

The Group obtained its land use rights according to the operating lease agreements. The lease agreements cover a period of 50 years, and the Group paid all the rental amounts in advance. For the years ended December 31, 2018, the amounts of $1,712, was recognized as expenses in profit or loss. As of December 31, 2018, the unamortized balance was $63,128. The unamortized balance was recognized in right-of-use asset when IFRS 16 was applied from January 1, 2019.

(13) Employee benefits

A. Defined benefit plans

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

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligation	$	287,348	261,703
Fair value of plan assets		(183,462)	(168,912)
Net defined benefit liabilities	$	103,886	92,791

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

(a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $183,462 as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Movements in the present value of the defined benefit obligation

The movements in the present value of the defined benefit obligation of the Company for the years ended December 31, 2019 and 2018 were as follows:

		For the years ended December 31,	
		2019	2018
Defined benefit obligation as of January 1	$	261,703	248,785
Current service costs and interest		4,723	4,750
Remeasurements of the net defined benefit liabilities			
—Actuarial loss (gain) arising from experience adjustments		12,240	993
—Actuarial loss (gain) arising from changes in financial assumptions		9,116	8,594
Benefits paid from plan assets		(434)	(1,419)
Defined benefit obligation as of December 31	$	287,348	261,703

(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	**2018**
Fair value of plan assets as of January 1	$ 168,912	156,655
Interest income	2,344	2,581
Remeasurements of the net defined benefit liabilities		
－Return on plan assets (excluding current interest)	5,217	3,681
Contributions made	7,423	7,414
Benefits paid from plan assets	(434)	(1,419)
Fair value of plan assets as of December 31	**$ 183,462**	**168,912**

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,	
	2019	**2018**
Current service costs	$ 1,154	733
Net interest on the net defined benefit liabilities	1,225	1,436
	$ 2,379	**2,169**

(e) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurements of the net defined benefit liabilities recognized as accumulated in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	**2018**
Cumulative amount as of January 1	$ (162,179)	(156,273)
Recognized for the period	(16,139)	(5,906)
Cumulative amount as of December 31	**$ (178,318)**	**(162,179)**

(f) Actuarial assumptions

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

	December 31, 2019	**December 31, 2018**
Discount rate	1.125%	1.375%
Future salary increase rate	4.000%	4.000%

The Company expects to make a contribution of $7,490 to its defined benefit plans in the following year, beginning December 31, 2019.

The weighted-average duration of the defined benefit obligation is 15.56 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2019 and 2018, the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2019		
Discount rate	$ (9,116)	9,531
Future salary increase rate	9,100	(8,772)
December 31, 2018		
Discount rate	$ (8,594)	8,986
Future salary increase rate	8,609	(8,295)

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

B. Defined contribution plans

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

The Group's pension costs under the defined contribution plan were $267,200 and $237,033 for the years ended December 31, 2019 and 2018, respectively.

(14) Income tax

A. Income tax expenses:

The amount of income tax expenses for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31,		
		2019	**2018**
Current income tax expense			
Current period	$	540,774	574,389
Surtax on unappropriated retained earnings		-	38,216
Adjustment for prior period		(80,167)	95,059
		460,607	707,664
Deferred income tax expense			
Origination and reversal of temporary differences		(38,055)	(393,018)
Adjustment in tax rate		-	(18,405)
		(38,055)	(411,423)
Income tax expenses	$	422,552	296,241

B. The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,		
		2019	**2018**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit plans	$	(3,228)	(1,181)
Unrealized gains or losses from investments in equity instruments measured at FVOCI		(12,020)	992
	$	(15,248)	(189)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	$	(49,438)	(28,086)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2019 and 2018 was as follows:

	For the years ended December 31, 2019	2018
Income before income tax	$ 1,883,725	2,225,586
Income tax at the Company's domestic tax rate	$ 376,745	445,117
Effect of different tax rates in foreign jurisdictions	136,816	154,398
Non-deductible expenses and others	111,212	172,950
Change in unrecognized deductible temporary differences	(82,054)	(551,094)
Tax-exempt income	(40,000)	(40,000)
Adjustment in tax rate	-	(18,405)
Surtax on unappropriated retained earnings	-	38,216
(Over) under -provision in prior periods	(80,167)	95,059
Total	$ 422,552	296,241

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2019	December 31, 2018
The temporary differences associated with investments in subsidiaries (tax amount):		
Unrecognized deferred tax liabilities	$ (633,148)	(551,094)

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Financial assets at FVOCI	Others	Total
Balance as of January 1, 2019	$ 26,967	43,853	48,463	43,800	-	-	242,396	405,479
Recognized in profit or loss	(622)	(1,370)	-	(22,789)	9,346	-	48,878	33,443
Recognized in other comprehensive income	-	-	49,438	-	-	11,028	3,228	63,694
Balance as of December 31, 2019	$ 26,345	42,483	97,901	21,011	9,346	11,028	294,502	502,616

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Financial assets at FVOCI	Others	Total
Balance as of January 1, 2018	$ 26,829	27,288	20,377	75,306	5,205	-	248,042	403,047
Recognized in profit or loss	138	16,565	-	(31,506)	(5,205)	-	(6,827)	(26,835)
Recognized in other comprehensive income	-	-	28,086	-	-	-	1,181	29,267
Balance as of December 31, 2018	$ 26,967	43,853	48,463	43,800	-	-	242,396	405,479

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Financial assets at FVOCI	Unrealized foreign exchange gain or loss	Other	Total
Balance as of January 1, 2019	$ (124,996)	(992)	(1,224)	-	(127,212)
Recognized in profit or loss	3,944	-	1,224	(556)	4,612
Recognized in other comprehensive income	-	992	-	-	992
Balance as of December 31, 2019	$ (121,052)	-	-	(556)	(121,608)
Balance as of January 1, 2018	$ (564,478)	-	-	-	(564,478)
Recognized in profit or loss	439,482	-	(1,224)	-	438,258
Recognized in other comprehensive income	-	(992)	-	-	(992)
Balance as of December 31, 2018	$ (124,996)	(992)	(1,224)	-	(127,212)

D. The Company's tax returns have been examined by the tax authorities through 2017, except for the income tax return for 2015, which is still under review by the tax authorities.

(15) Capital and other equity interest

A. Issuance and cancellation of ordinary shares

As of December 31, 2019 and 2018, the authorized capital of the Company amounted to $8,000,000 and $5,000,000, respectively, both of which included the amount of $250,000 reserved for employee share options; the issued capital amounted to $3,903,293 and $3,738,751, respectively.

As of December 31, 2019, the Company cancelled 80 thousand shares of restricted stock awarded to its employees, with the completion of the registration procedures on September 2, 2019. The new ordinary shares of stock totaling 997 thousand shares were issued from the conversion of convertible bonds.

As of December 31, 2018, the Company cancelled 238 thousand shares of restricted stock awarded to its employees, of which, 206 thousand shares had already been cancelled on December 20, 2018, with the completion of the registration procedures on January 4, 2019. The new ordinary shares of stock totaling 15,537 thousand shares were issued from the conversion of convertible bonds, which were accounted for under advance receipts for share capital as the registration procedures were yet to be completed as of December 31, 2018. As of December 31, 2019, all of the advance receipts have been fully converted into ordinary share capital.

As of December 31, 2019, the restricted stock award for employees who failed to meet certain requirements have been retrieved, of which 97 thousand shares have not been cancelled.

Pursuant to a shareholders' resolution on June 15, 2018, the Company increased its ordinary share capital by 7,336 thousand shares through the transfer of stock dividends of $73,355. The effective date of the capital increase was August 15, 2018, which has already been registered with the government authorities.

B. Capital surplus

	December 31, 2019	December 31, 2018
Capital surplus－premium	$ 2,644,653	2,410,165
Convertible bonds payable－premium	1,332,209	1,268,472
Treasury stock sold to employees	100,454	100,454
Due to donated assets received	92	76
Capital surplus from merger	36,653	36,653
Conversion options of bonds	74,560	77,169
Restricted stock awards	7,497	120,694
	$ 4,196,118	4,013,683

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

C. Retained earnings

(a) Legal reserve

If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to $136,043. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $108,123 as of December 31, 2019 and 2018.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. Pursuant to the shareholders' meeting held on June 5, 2019 and June 15, 2018, respectively, the Company appropriated to reduce its of shareholders' equity amounting to $240,952 and $45,225, respectively, as special reserve.

(c) Earnings distribution

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

The following are the appropriation of earnings in 2018 and 2017 which were approved during the shareholders' meeting held on June 5, 2019 and June 15, 2018, respectively:

	2018		2017	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.5007	1,366,433	3.7003	1,357,075
Shares	-	-	0.2000	73,355
		$ 1,366,433		1,430,430

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

The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting on March 11, 2020 ,and the distribution of cash dividends per share of $2.5, will be approved in annual shareholders' meeting. The related information will be available on the Market Observation Post System website after the resolution meeting.

(16) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions for the years ended December 31, 2019 and 2018, is as follows:

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

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

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

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

C. Restricted stock awards

On June 16, 2016, pursuant to the resolutions of its shareholders' meeting, the Company issued 7,500 thousand shares of restricted stock awards to those full-time employees who conformed to the Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On March 15, 2017 and August 10, 2016, the Board of Directors approved a resolution to issue 510 thousand shares and 6,990 thousand shares, respectively, of restricted stock awards to its employees. The effective dates of the capital increase were July 3, 2017 and November 1, 2016, respectively, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

For the years ended December 31, 2019 and 2018, 80 thousand shares and 238 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $800 and $2,360, respectively. As the vesting period ended in November 2018, the Company decided to retrieve its restricted stock awards for its employees who failed to qualify certain requirements, as well as its cash and stock dividend generated from the above-mentioned restricted stock awards. Therefore, the retrieved cash dividend amounted to $296, and the stock dividends of 2 thousand shares were cancelled in December 2018. As of December 31, 2019 and 2018, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $4,462 and $10,885, respectively. Such deferred amounts were recorded as deduction of other equity.

For the year ended December 31, 2019, the Company recognized the salary costs of $340 from the distribution of cash dividends to its employees, which are using non-vesting conditions from the issuance restricted stock awards from the prior-period earnings in 2018. Such unrealized salary costs were credited under retained earnings.

For the year ended December 31, 2018, the Company recognized the salary costs of $641 and $1,224, respectively, from the distribution of cash and stock dividends to its employees, which are using non-vesting conditions from the issuance restricted stock awards from the prior-period earnings in 2017 and 2016. Such unrealized salary costs were credited under capital surplus and retained earnings amounting to $609 and $1,256, respectively.

(17) Earnings per share

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

	For the years ended December 31,	
	2019	**2018**
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ **1,461,173**	**1,929,345**
Weighted-average number of ordinary shares (in thousands)	**388,289**	**370,219**
Basic earnings per share (TWD)	$ **3.76**	**5.21**
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,461,173	1,929,345
Interest expense on convertible bonds, net of tax	-	11,853
Net income attributable to ordinary shareholders of the Company (diluted)	$ **1,461,173**	**1,941,198**
Weighted-average number of ordinary shares (in thousands) (basic)	388,289	370,219
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee stock remuneration	3,050	3,476
Effect of unvested restricted stock awards	2,013	3,672
Effect of conversion of convertible bonds	13	14,922
Weighted-average number of ordinary shares (in thousands) (diluted)	**393,365**	**392,289**
Diluted earnings per share (TWD)	$ **3.71**	**4.95**

(18) Revenue from contracts with customers

A. Disaggregation of revenue

	For the years ended December 31,	
	2019	**2018**
Revenues from major regional markets:		
Americas	$ 30,742,987	30,392,639
Asia	14,715,950	15,273,419
Europe	16,690,135	10,263,783
Others	90,510	119,835
	$ 62,239,582	56,049,676
Revenue from major products:		
Wireless communication products	$ 60,427,002	54,094,833
Others	1,812,580	1,954,843
	$ 62,239,582	56,049,676

B. Contract balances

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Contract liabilities-advance receipts	$ 223,695	336,153	292,645

For details on notes and accounts receivable and loss allowance, please refer to note 6(2).

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(19) Remuneration to employees and directors

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

(i) No less than 5%, by shares or in cash, as employee remuneration; employees of controlled companies who meet specific requirements set by the Board of Directors can also be included.

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

The remunerations to employees amounted to $188,229 and $222,377, as well as the remunerations to directors amounted to $13,445 and $15,884 for the years ended December 31, 2019 and 2018, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There were no differences between the amounts of employees' and directors' remuneration allocated by the aforesaid board resolutions and the amounts in the consolidated financial statements of 2019 and 2018. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the year ended December 31, 2018, the remunerations to employees and directors amounted to $222,377 and $15,884, respectively, which were both paid in cash. The aforementioned remuneration was no difference between the actual amounts and the amounts accrued. The information is available on the Market Observation Post System website.

(20) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	**2018**
Interest income:		
Interest income from bank deposits	$ 36,755	34,388
Others interest income	18	-
Rental income	39,094	5,205
Dividend income	43,468	33,703
Others	274,858	141,641
	$ 394,193	**214,937**

B. Other gains and losses

	For the years ended December 31,	
	2019	**2018**
Net gain on disposal of property, plant and equipment	$ 5,274	18
Loss on disposal of investments accounted for using equity method	(9,849)	-
Foreign exchange gains, net	8,424	72,047
Net gain on financial assets and liabilities at FVTPL	1,222	7,050
	$ 5,071	**79,115**

C. Finance costs

	For the years ended December 31,	
	2019	**2018**
Interest expense－bank borrowings	$ 78,026	67,120
Interest expense－bonds payable (note 6(10))	-	14,817
Interest expense－lease liabilities / Interest expense －finance lease obligations payable	24,037	106
	$ 102,063	**82,043**

(21) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Credit risk of receivables

For credit risk exposure of receivables, please refer to note 6(2). No loss allowances were recognized under other financial assets at amortized cost.

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2019					
Non-derivative financial liabilities					
Unsecured fixed-rate short-term borrowings	$ 1,982,948	1,988,835	1,988,835	-	-
Unsecured variable-rate short-term borrowings	354,604	354,908	354,908	-	-
Lease liabilities (including current portion)	1,812,539	2,328,558	100,983	333,152	1,894,423
Guarantee deposits received (including current portion)	11,604	11,604	5,416	6,188	-
Unsecured fixed-rate long-term borrowings	106,000	108,999	742	108,257	-
	$ 4,267,695	**4,792,904**	**2,450,884**	**447,597**	**1,894,423**

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured fixed-rate short-term borrowings	$ 1,987,552	1,990,669	1,990,669	-	-
Unsecured variable-rate short-term borrowings	622,829	624,427	624,427	-	-
Unsecured convertible bonds payable	82,000	82,000	82,000	-	-
	$ 2,692,381	**2,697,096**	**2,697,096**	**-**	**-**

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2019		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 364,307	30.106	10,967,828
Investments accounted for using equity method			
USD	3,458	30.106	104,119
Financial liabilities			
Monetary items			
USD	354,235	30.106	10,664,597

	December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 324,100	30.733	9,960,557
Investments accounted for using equity method			
USD	3,797	30.733	116,704

	December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**
Financial liabilities			
Monetary items			
USD	375,590	30.733	11,543,020

(b) Sensitivity analysis

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

A fluctuation in the TWD/USD exchange rate on December 31, 2019 and 2018, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2019 and 2018 as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2019**	**2018**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ 8,058	(41,192)
	Appreciation of TWD 1 against the USD	$ (8,058)	41,192

(c) Foreign exchange gains or losses on monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains on monetary items amounted to $8,424 and $72,047, for the years ended December 31, 2019 and 2018, respectively.

D. Interest rate analysis

The Group's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of financial risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2019 and 2018, as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2019**	**2018**
Annual interest rate	Increase of 1%	$ (2,837)	(4,983)
	Decrease of 1%	$ 2,837	4,983

E. Other market price risk

If the price of equity securities in the reporting date rises or falls by 1%, and the other variables remain constant, the annual other comprehensive income would have increase or decrease by $9,276 and $6,933 for the years ended December 31, 2019 and 2018, respectively.

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at FVTPL and financial assets at FVOCI is measured on a recurring basis. The Group's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts, and lease liabilities), were as follows:

	December 31, 2019				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 413,746	413,746	-	-	413,746
Financial assets at FVOCI					
Domestic listed stocks	$ 881,372	881,372	-	-	881,372
Foreign unlisted stocks	57,722	-	-	57,722	57,722
	$ 939,094	881,372	-	57,722	939,094
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,044,019	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,698,316	-	-	-	-
Other financial assets – current	157,520	-	-	-	-
Refundable deposits	17,596	-	-	-	-
	$ 15,917,451	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,337,552	-	-	-	-
Notes and accounts payable (including related parties)	9,288,016	-	-	-	-
Lease liabilities (including current portion)	1,812,539	-	-	-	-
Guarantee deposits received (including current portion)	11,604	-	-	-	-
Long-term borrowings	106,000	-	-	-	-
	$ 13,555,711	-	-	-	-

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 344,362	344,362	-	-	344,362
Structured deposits	111,889	-	111,889	-	111,889
	$ 456,251	**344,362**	**111,889**	**-**	**456,251**
Financial assets at FVOCI					
Domestic listed stocks	$ 599,008	599,008	-	-	599,008
Foreign unlisted stocks	117,821	-	-	117,821	117,821
	$ 716,829	**599,008**	**-**	**117,821**	**716,829**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,354,096	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,830,323	-	-	-	-
Other financial assets – current	76,789	-	-	-	-
Refundable deposits	16,787	-	-	-	-
	$ 15,277,995	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,610,381	-	-	-	-
Notes and accounts payable (including related parties)	9,974,039	-	-	-	-
Bonds payable (recorded in long-term liabilities, current portion)	82,000	91,430	-	-	91,430
	$ 12,666,420	**91,430**	**-**	**-**	**91,430**

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

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

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

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

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

Except for the above financial instruments with an active market, the Group estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI－equity investments without an active market
Balance as of January 1, 2019	$ 117,821
Total gains and losses	
Recognized in other comprehensive income	(60,099)
Balance as of December 31, 2019	$ 57,722
Balance as of January 1, 2018	$ -
Effect of retrospective application	112,862
Total gains and losses	
Recognized in other comprehensive income	4,959
Balance as of December 31, 2018	$ 117,821

The gains (losses) from financial assets at FVOCI resulted from the recognition of the total gains and losses mentioned above.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI – equity investments.

The Group classified the equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI－equity investments without an active market	Market approach	·Price-to-sales ratios as of December 31, 2019 and 2018 ranged from 1.55~18.22, 1.09~18.90, respectively. ·Price-equity ratios as of December 31, 2019 and 2018 ranged from 3.51~4.99 and 2.90~3.09, respectively. ·Discount for lack of marketability as of December 31, 2019 and 2018 were 80%.	·The higher the price-to-sales ratio, the higher the fair value. ·The higher the price-equity ratio, the higher the fair value. ·The higher the discount for lack of marketability, the lower the fair value.

(22) Financial risk management

A. Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

B. Objectives and policies for managing risk

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

In accordance with a reviewed policy, the Group will not engage in derivative financial instruments for the purpose of speculation.

C. Credit risk

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

The Group deposits its cash and cash equivalents in various creditworthy financial institutions. Beneficiary certificates that were issued by various creditworthy entities and financial institutions. As a result, the Group believes that there is no concentration of credit risk in cash and cash equivalents and beneficiary certificates.

The Group continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Group performs a periodic evaluation on its uncollected accounts receivable. Before delivery it also needs to assess the creditworthy of the customers. For the years ended December 31, 2019 and 2018, the Group had no concentration of credit risk arising from sales transactions. The Group evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

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

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

D. Liquidity risk

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

E. Market risk

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

(a) Interest rate risk

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

(b) Currency risk

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

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

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

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

(c) Other market price risks

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

(23) Capital management

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

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

There were no changes in the Group's approach to capital management during the year ended December 31, 2019.

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

	December 31, 2019	December 31, 2018
Total liabilities	$ 18,271,329	17,314,941
Less: cash and cash equivalents	(3,044,019)	(2,354,096)
Net debt	$ 15,227,310	14,960,845
Total equity	$ 16,165,398	15,849,211
Debt-to-adjusted-capital ratio	94.20%	94.39%

(24) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	December 31, 2019
Short-term borrowings	$ 2,610,381	(260,652)	(12,177)	-	2,337,552
Bonds payable (recorded in long-term liabilities, current portion)	82,000	(10,900)	-	(71,100)	-
Lease liabilities (including current portion)	1,516,876	(75,047)	(10,535)	381,245	1,812,539
Guarantee deposits received (including current portion)	5,203	6,401	-	-	11,604
Long-term borrowings	-	106,000	-	-	106,000
	$ 4,214,460	(234,198)	(22,712)	310,145	4,267,695

	January 1, 2018	Cash flow	Non-cash changes: Foreign exchange movement	Non-cash changes: Other changes	December 31, 2018
Short-term borrowings	$ 2,688,304	(67,766)	(10,157)	-	2,610,381
Bonds payable (recorded in long-term liabilities, current portion)	1,173,627	-	-	(1,091,627)	82,000
	$ 3,861,931	(67,766)	(10,157)	(1,091,627)	2,692,381

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related parties	Relationship with the Group
Wistron Corporation (Wistron)	The entity with significant influence over the Group
Wistron InfoComm (CHONGQING) Co., Ltd. (WCQ)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Chengdu) Co., Ltd. (WCD)	The subsidiary of the entity with significant influence over the Group
Wiwynn Corporation (WYHQ)	The subsidiary of the entity with significant influence over the Group
COWIN WORLDWIDE CORPORATION (COWIN)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	The subsidiary of the entity with significant influence over the Group
Wistron InfoComm (Zhongshan) Corporation (WZS)	The subsidiary of the entity with significant influence over the Group
Wistron Service (Kunshan) Corporation (WSKS)	The subsidiary of the entity with significant influence over the Group
International Standards Labs. (ISL)	The subsidiary of the entity with significant influence over the Group
WiAdvance Technology Corporation (AGI)	The subsidiary of the entity with significant influence over the Group
AII Holding Corporation (AIIH)	The subsidiary of the entity with significant influence over the Group
SMS Infocomm Corporation (WTX)	The subsidiary of the entity with significant influence over the Group
KunShan ChangNun Precision Die Casting Co., Ltd. (WQN)	An associate of the Group

(2) Significant related-party transactions

A. Operating revenue

Related Party Categories	For the years ended December 31, 2019	2018
Entity with significant influence over the Group	$ 7,035	2,134
Other related parties	393,854	364,154
	$ 400,889	**366,288**

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

B. Purchases

Related Party Categories	For the years ended December 31, 2019	2018
Associate	$ 161,642	304,732

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

C. Accounts receivable from related parties

Related Party Categories	December 31, 2019	December 31, 2018
Entity with significant influence over the Group	$ 2,330	1,028
Other related parties	143,376	167,416
	$ 145,706	168,444

D. Accounts payable to related parties

Related Party Categories	December 31, 2019	December 31, 2018
Associate	$ 27,068	77,232

E. Prepaid payment (recorded in other current assets)

Related Party Categories	December 31, 2019	December 31, 2018
Associate	$ 38,931	-

F. Property Transactions

(a) Acquisition of property, plant and equipment

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

Related Party Categories	For the years ended December 31, 2019	2018
Associate	$ 7,040	11,827

Related Party Categories	December 31, 2019	December 31, 2018
Associate	$ 301	2,757

(b) Acquisition of intangible assets

The amount of acquisition of intangible assets from related parties and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2019	2018
Other related parties	$ -	54,804

Related Party Categories	December 31, 2019	December 31, 2018
Other related parties	$ 18,907	37,200

G. Other transactions

(a) The amounts paid by the Group to its related parties for administrative and repair expenses, and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2019	2018
Entity with significant influence over the Group	$ 4,970	6,066
Other related parties	4,755	5,915
Associate	645	902
	$ 10,370	12,883

Related Party Categories	December 31, 2019	December 31, 2018
Entity with significant influence over the Group	$ 2,576	1,047
Other related parties	-	552
Associate	126	834
	$ 2,702	2,433

(b) The amount paid by the Group to its related parties for rental expenses incurred under the dormitory lease agreement, and the related unpaid balances were as follows:

	For the years ended December 31,			
	2019		2018	
Related Party Categories	**Amount of the transaction**	**Accounts payable to related parties**	**Amount of the transaction**	**Accounts payable to related parties**
Entity with significant influence over the Group	$ 3,017	460	2,356	207
Other related parties	4,295	677	5,098	705
	$ 7,312	**1,137**	**7,454**	**912**

As of December 31, 2019, the Group paid the refundable deposits (derived from the operating leases) to its related parties amounting to $96.

(c) The Group leased the factory to its other related parties, with lease terms based on their mutual agreements. For the year ended December 31, 2019, the Group incurred the rental and service income of $37,236; and the receivables resulting from the above transactions had been settled. As of December 31, 2019, the Group received the guarantee deposits (deriving from the lease contract) from its other related parties amounting to $6,188, which was recorded in other non-current liabilities.

(d) For the years ended December 31, 2019 and 2018, the Group had received the cash dividends and stock dividends from its related parties amounting to $42,847 and $41,082, respectively. As of December 31, 2019 and 2018, the receivables resulting from the above transactions have been settled.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$ 131,542	175,262
Post-employment benefits	1,467	1,561
Share-based payment	41,391	50,214
	$ 174,400	**227,037**

Please refer to note 6(16) for further information on share-based payment.

8. Pledged Assets

The carrying values of the Group's pledged assets are as follows:

Assets	Purpose of Pledged	December 31, 2019	December 31, 2018
Time deposits (recorded in other financial assets－current)	Guarantees for land lease agreements	$ 65,000	20,000
Time deposits (recorded in other financial assets－current)	Guarantees for dormitory lease agreements	2,500	2,500
		$ 67,500	22,500

9. Significant Commitments and Contingencies: Please refer to note 6(12).

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

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

By function / By item	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	3,382,543	2,999,024	6,381,567	3,051,954	2,871,087	5,923,041
Labor and health insurance	197,834	184,608	382,442	135,666	165,093	300,759
Pension	157,128	112,451	269,579	137,697	101,505	239,202
Others	232,048	101,292	333,340	143,001	94,008	237,009
Depreciation	935,599	315,078	1,250,677	824,570	280,889	1,105,459
Amortization	19,397	176,013	195,410	9,745	84,709	94,454

13. Segment Information

(1) General information

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

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

(2) Products and services information

Please refer to note 6(18) on information regarding products and services for the years ended December 31, 2019 and 2018.

(3) Geographic information

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

		December 31, 2019	December 31, 2018
Non-current assets			
Americas	$	14,197	2,431
Europe		160	236
Asia		9,103,031	6,710,817
	$	**9,117,388**	**6,713,484**

Please refer to note 6(18) for the revenues from external customers for the years ended December 31, 2019 and 2018.

(4) Major customer information: None.

14. Convenience Translation into United States Dollars (USD)

The consolidated financial statements are stated in thousands of TWD. The amounts have been translated into thousands of USD solely for the convenience of the readers, using the rate of TWD 30.106 to USD 1. The convenience translations should not be construed as representations that the TWD amounts have been, could have been, or could in the future be, converted into USD at this rate or any other rate of exchange.

Wistron NeWeb Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Wistron NeWeb Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of USD)

	December 31, 2019		December 31, 2018	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents	$ 101,110	9	78,193	7
Financial assets at fair value through profit or loss－current	13,743	1	15,155	1
Financial assets at fair value through other comprehensive income －current	29,275	3	19,897	2
Notes receivable	11,787	1	15,456	1
Accounts receivable, net	405,160	35	405,121	37
Accounts receivable from related parties	4,840	-	5,595	1
Inventories, net	234,681	21	301,935	28
Other financial assets－current	5,232	1	2,550	-
Other current assets	12,523	1	12,866	1
Total current assets	818,351	72	856,768	78
Non-current assets:				
Financial assets at fair value through other comprehensive income －non-current	1,917	-	3,914	-
Investments accounted for using equity method	3,458	-	3,876	-
Property, plant and equipment	234,192	20	211,044	19
Right-of-use assets	61,968	6	-	-
Intangible assets	6,262	1	7,443	1
Deferred tax assets	16,695	1	13,468	1
Refundable deposits	585	-	558	-
Other non-current assets	421	-	4,508	1
Total non-current assets	325,498	28	244,811	22
Total assets	$ 1,143,849	100	1,101,579	100

	December 31, 2019		December 31, 2018	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings	$ 77,644	7	86,706	8
Contract liabilities－current	7,430	1	11,165	1
Notes and accounts payable	306,846	27	327,294	30
Accounts payable to related parties	1,665	-	4,004	-
Salary and bonus payable	51,022	4	50,408	5
Other accrued expenses	55,902	5	45,870	4
Provision－current	4,773	-	5,440	1
Lease liabilities－current	2,553	-	-	-
Long-term liabilities, current portion	-	-	2,724	-
Other current liabilities	30,197	3	34,199	3
Total current liabilities	538,032	47	567,810	52
Non-current liabilities:				
Long-term borrowings	3,521	-	-	-
Deferred tax liabilities	4,039	-	4,225	-
Lease liabilities－non-current	57,652	6	-	-
Net defined benefit liabilities－non-current	3,451	-	3,082	-
Other non-current liabilities	205	-	15	-
Total non-current liabilities	68,868	6	7,322	-
Total liabilities	606,900	53	575,132	52
Equity:				
Ordinary share capital	129,652	11	124,186	11
Advance receipts for share capital	-	-	5,161	1
Share capital awaiting retirement	(32)	-	-	-
Capital surplus	139,378	12	133,318	12
Retained earnings	279,969	25	277,240	25
Other equity	(12,018)	(1)	(13,458)	(1)
Total equity	536,949	47	526,447	48
Total liabilities and equity	$ 1,143,849	100	1,101,579	100

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

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of USD)

	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Net operating revenue	$ 2,067,348	100	1,861,744	100
Operating costs	1,831,849	89	1,625,490	87
Gross profit	235,499	11	236,254	13
Operating expenses:				
Selling	63,609	3	62,900	3
General and administrative	34,857	1	33,418	2
Research and development	83,962	4	72,959	4
Expected credit impairment loss	82	-	11	-
Total operating expenses	182,510	8	169,288	9
Net operating income	52,989	3	66,966	4
Non-operating income and expenses:				
Other income	13,093	-	7,139	-
Other gains and losses	168	-	2,628	-
Finance costs	(3,390)	-	(2,725)	-
Share of loss of associates accounted for using equity method	(291)	-	(83)	-
Total non-operating income and expenses	9,580	-	6,959	-
Income before income tax	62,569	3	73,925	4
Income tax expenses	14,035	1	9,840	1
Net income	48,534	2	64,085	3
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(536)	-	(196)	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	7,397	-	(3,672)	-
Income tax related to items that will not be reclassified subsequently	(506)	-	(6)	-
Total items that will not be reclassified subsequently to profit or loss	7,367	-	(3,862)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(8,210)	-	(4,067)	-
Income tax related to items that may be reclassified subsequently	(1,642)	-	(933)	-
Total items that may be reclassified subsequently to profit or loss	(6,568)	-	(3,134)	-
Other comprehensive income	799	-	(6,996)	-
Total comprehensive income	**$ 49,333**	**2**	**57,089**	**3**
Earnings per share (USD)				
Basic earnings per share	**$**	**0.12**		**0.17**
Diluted earnings per share	**$**	**0.12**		**0.16**

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

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of USD)

					Retained earnings				Other equity					
	Ordinary share capital	Advance receipts for share capital	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets	Deferred compensation cost	Total	Total equity
Balance as of January 1, 2018	$ 121,829	-	-	101,626	59,679	3,592	196,338	259,609	(8,121)	-	3,027	(5,584)	(10,678)	472,386
Effects of retrospective application	-	-	-	-	-	-	1,164	1,164	-	1,863	(3,027)	-	(1,164)	-
Balance as of January 1, 2018 after adjustments	121,829	-	-	101,626	59,679	3,592	197,502	260,773	(8,121)	1,863	-	(5,584)	(11,842)	472,386
Net income for the period	-	-	-	-	-	-	64,085	64,085	-	-	-	-	-	64,085
Other comprehensive income for the period	-	-	-	-	-	-	(157)	(157)	(3,134)	(3,705)	-	-	(6,839)	(6,996)
Total comprehensive income for the period	-	-	-	-	-	-	63,928	63,928	(3,134)	(3,705)	-	-	(6,839)	57,089
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	6,855	-	(6,855)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	1,502	(1,502)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(45,077)	(45,077)	-	-	-	-	-	(45,077)
Stock dividends distributed to shareholder	2,436	-	-	-	-	-	(2,436)	(2,436)	-	-	-	-	-	-
Due to donated assets received	-	-	-	3	-	-	-	-	-	-	-	-	-	3
Conversion of convertible bonds	-	5,161	-	31,590	-	-	-	-	-	-	-	-	-	36,751
Share-based payment transactions	(79)	-	-	99	-	-	52	52	-	-	-	5,223	5,223	5,295
Balance as of December 31, 2018	124,186	5,161	-	133,318	66,534	5,094	205,612	277,240	(11,255)	(1,842)	-	(361)	(13,458)	526,447
Net income for the period	-	-	-	-	-	-	48,534	48,534	-	-	-	-	-	48,534
Other comprehensive income for the period	-	-	-	-	-	-	(429)	(429)	(6,568)	7,796	-	-	1,228	799
Total comprehensive income for the period	-	-	-	-	-	-	48,105	48,105	(6,568)	7,796	-	-	1,228	49,333
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	6,409	-	(6,409)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	8,003	(8,003)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(45,387)	(45,387)	-	-	-	-	-	(45,387)
Due to donated assets received	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Conversion of convertible bonds	5,492	(5,161)	-	2,030	-	-	-	-	-	-	-	-	-	2,361
Share-based payment transactions	(26)	-	(32)	4,029	-	-	11	11	-	-	-	212	212	4,194
Balance as of December 31, 2019	**$ 129,652**	**-**	**(32)**	**139,378**	**72,943**	**13,097**	**193,929**	**279,969**	**(17,823)**	**5,954**	**-**	**(149)**	**(12,018)**	**536,949**

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

Wistron NeWeb Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of USD)

	For the years ended December 31,		
		2019	2018
Cash flows from operating activities:			
Income before income tax	$	62,569	73,925
Adjustments:			
Adjustments to reconcile (profit) loss			
Depreciation		41,543	36,719
Amortization		6,491	3,137
Expected credit impairment loss		82	11
Net gain on financial assets and liabilities at fair value through profit or loss		(40)	(234)
Interest expense		3,390	2,725
Interest income		(1,221)	(1,142)
Dividend income		(1,444)	(1,119)
Compensation cost arising from share-based payment transactions		4,194	5,295
Share of loss of associates accounted for using equity method		291	83
Gain on disposal of property, plant and equipment		(175)	(1)
Adjustment for other non-cash-related losses, net		968	230
Provision for inventory devaluation loss		7,717	5,097
Provision for allowance for sales discounts		(402)	10,543
Total adjustments to reconcile (profit) loss		61,394	61,344
Changes in operating assets and liabilities:			
Notes receivable		3,669	(7,218)
Accounts receivable		(121)	(77,469)
Accounts receivable from related parties		755	(1,717)
Inventories		59,537	(84,341)
Other operating assets		(2,118)	(3,821)
Notes and accounts payable		(20,448)	70,611
Accounts payable to related parties		(1,650)	1,427
Other operating liabilities		5,534	11,850
Total changes in operating assets and liabilities		45,158	(90,678)
Total adjustments		106,552	(29,334)
Cash flows generated from operations		169,121	44,591
Interest received		1,276	1,091
Dividends received		1,444	1,131
Interest paid		(3,302)	(2,228)
Income taxes paid		(15,672)	(18,045)
Net cash flows generated from operating activities		152,867	26,540
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		-	(241)
Capital received from financial assets at fair value through other comprehensive income		14	-
Acquisition of financial assets at fair value through profit or loss		(137,308)	(7,869)
Proceeds from disposal of financial assets at fair value through profit or loss		138,760	56,883
Acquisition of property, plant and equipment		(64,352)	(62,316)
Proceeds from disposal of property, plant and equipment		1,256	135
Increase in refundable deposits		(27)	(309)
Acquisition of intangible assets		(5,918)	(7,699)
Increase in other financial assets		(1,494)	-
Net cash flows used in investing activities		(69,069)	(21,416)
Cash flows from financing activities:			
Decrease in short-term borrowings		(8,658)	(2,251)
Repayments of bonds		(362)	-
Proceeds from long-term borrowings		3,521	-
Increase in guarantee deposits received		212	-
Repayment of the principal portion of lease liabilities		(2,493)	-
Cash dividends paid		(45,387)	(45,077)
Due to donated assets received		1	3
Net cash flows used in financing activities		(53,166)	(47,325)
Effect of exchange rate changes		(7,715)	(2,998)
Net increase (decrease) in cash and cash equivalents		22,917	(45,199)
Cash and cash equivalents at beginning of period		78,193	123,392
Cash and cash equivalents at end of period	$	101,110	78,193

Independent Auditors' Report

To the Board of Directors
Wistron NeWeb Corporation:

Opinion

We have audited the financial statements of Wistron NeWeb Corporation ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the parent-company-only financial statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Note 3(1), the Company initially adopt the IFRS 16, *Leases* on January 1, 2019 and apply the modified retrospective approach, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of Receivables

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

Please refer to Note 4(7) "Summary of Significant Accounting Policies－Inventories", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(3) "Description of Significant Accounts－Inventories, net" to the parent-company-only financial statements.

Description of key audit matters:

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

How the matter was addressed in our audit:

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

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in entities accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yu Tseng and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2020

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only 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 independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Wistron NeWeb Corporation

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 968,355	3	1,566,755	5
Financial assets at fair value through profit or loss－current (note 6(2))	413,746	1	344,362	1
Financial assets at fair value through other comprehensive income－current (note 6(2))	881,372	2	599,008	2
Notes receivable (note 6(2))	11,897	-	12,487	-
Accounts receivable, net (note 6(2))	9,553,218	28	9,560,568	30
Accounts receivable from related parties (notes 6(2) and 7)	2,534,287	7	3,331,598	11
Inventories, net (note 6(3))	4,305,585	13	3,767,977	12
Other financial assets－current (note 8)	139,023	1	70,608	-
Other current assets (note 7)	289,851	1	357,468	1
Total current assets	19,097,334	56	19,610,831	62
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(2))	57,722	-	117,821	-
Investments accounted for using equity method (note 6(4))	7,145,855	21	6,776,970	22
Property, plant and equipment (notes 6(5) and 7)	5,433,406	16	4,351,194	14
Right-of-use assets (note 6(6))	1,673,166	5	-	-
Intangible assets (notes 6(7) and 7)	187,401	1	223,995	1
Deferred tax assets (note 6(14))	315,062	1	256,829	1
Refundable deposits (note 7)	4,509	-	12,664	-
Other non-current assets (note 6(2))	5,679	-	71,352	-
Total non-current assets	14,822,800	44	11,810,825	38
Total assets	**$ 33,920,134**	**100**	**31,421,656**	**100**

	December 31, 2019		December 31, 2018	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (note 6(8))	$ 2,063,358	6	2,264,870	7
Contract liabilities－current (note 6(18))	211,680	1	318,166	1
Notes and accounts payable	4,823,346	14	3,799,810	12
Accounts payable to related parties (note 7)	5,020,762	15	5,558,073	18
Salary and bonus payable	1,264,796	3	1,224,315	4
Other accrued expenses	1,424,487	4	1,060,389	3
Provision－current (note 6(9))	143,695	1	163,775	1
Lease liabilities－current (note 6(11))	32,987	-	-	-
Long-term liabilities, current portion (note 6(10))	-	-	82,000	-
Other current liabilities	784,130	2	880,589	3
Total current liabilities	15,769,241	46	15,351,987	49
Non-current liabilities:				
Long-term borrowings (note 6(8))	106,000	-	-	-
Deferred tax liabilities (note 6(14))	121,052	1	127,212	1
Lease liabilities－non-current (note 6(11))	1,648,369	5	-	-
Net defined benefit liabilities－non-current (note 6(13))	103,886	-	92,791	-
Other non-current liabilities (note 7)	6,188	-	455	-
Total non-current liabilities	1,985,495	6	220,458	1
Total liabilities	17,754,736	52	15,572,445	50
Equity (notes 6(15) and (16)):				
Ordinary share capital	3,903,293	12	3,738,751	12
Advance receipts for share capital	-	-	155,370	-
Share capital awaiting retirement	(970)	-	-	-
Capital surplus	4,196,118	12	4,013,683	13
Retained earnings	8,428,762	25	8,346,593	26
Other equity	(361,805)	(1)	(405,186)	(1)
Total equity	16,165,398	48	15,849,211	50
Total liabilities and equity	**$ 33,920,134**	**100**	**31,421,656**	**100**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Wistron NeWeb Corporation

Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Net operating revenue (notes 6(18) and 7)	$ 58,889,906	100	54,990,399	100
Operating costs (notes 6(3), (11), (13), (19) and 7)	53,412,579	91	49,410,910	90
Gross profit	5,477,327	9	5,579,489	10
Unrealized profit or loss from sales (note 7)	78,579	-	37,231	-
Realized gross profit	5,555,906	9	5,616,720	10
Operating expenses (notes 6(2), (11), (13), (19) and 7)**:**				
Selling	1,474,326	2	1,503,114	3
General and administrative	667,273	1	674,391	1
Research and development	2,307,799	4	2,006,084	3
Expected credit impairment gain or loss	(1,553)	-	341	-
Total operating expenses	4,447,845	7	4,183,930	7
Net operating income	1,108,061	2	1,432,790	3
Non-operating income and expenses:				
Other income (notes 6(12), (20) and 7)	279,087	-	160,394	-
Other gains and losses (note 6(20))	(43,843)	-	62,627	-
Finance costs (notes 6(10), (11) and (20))	(82,693)	-	(69,086)	-
Share of profit of subsidiaries accounted for using equity method (note 6(4))	458,415	1	444,164	1
Total non-operating income and expenses	610,966	1	598,099	1
Income before income tax	1,719,027	3	2,030,889	4
Income tax expenses (note 6(14))	257,854	-	101,544	-
Net income	1,461,173	3	1,929,345	4
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(13))	(16,139)	-	(5,906)	-
Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	222,688	-	(110,540)	-
Income tax related to items that will not be reclassified subsequently (note 6(14))	(15,248)	-	(189)	-
Total items that will not be reclassified subsequently to profit or loss	221,797	-	(116,257)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(247,188)	-	(122,454)	-
Income tax related to items that may be reclassified subsequently (note 6(14))	(49,438)	-	(28,086)	-
Total items that may be reclassified subsequently to profit or loss	(197,750)	-	(94,368)	-
Other comprehensive income	24,047	-	(210,625)	-
Total comprehensive income	**$ 1,485,220**	**3**	**1,718,720**	**4**
Earnings per share (New Taiwan Dollars) (note 6(17))				
Basic earnings per share	**$**	**3.76**		**5.21**
Diluted earnings per share	**$**	**3.71**		**4.95**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Wistron NeWeb Corporation

Statements of Changes in Equity

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

					Retained earnings				Other equity					
	Ordinary share capital	**Advance receipts for share capital**	**Share capital awaiting retirement**	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappropriated retained earnings**	**Total**	**Exchange differences on translation of foreign financial statements**	**Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income**	**Unrealized gains or losses on available-for-sale financial assets**	**Deferred compensation cost**	**Total**	**Total equity**
Balance as of January 1, 2018	$ 3,667,772	-	-	3,059,564	1,796,713	108,123	5,910,947	7,815,783	(244,492)	-	91,144	(168,132)	(321,480)	14,221,639
Effects of retrospective application	-	-	-	-	-	-	35,053	35,053	-	56,091	(91,144)	-	(35,053)	-
Balance as of January 1, 2018 after adjustments	3,667,772	-	-	3,059,564	1,796,713	108,123	5,946,000	7,850,836	(244,492)	56,091	-	(168,132)	(356,533)	14,221,639
Net income for the period	-	-	-	-	-	-	1,929,345	1,929,345	-	-	-	-	-	1,929,345
Other comprehensive income for the period	-	-	-	-	-	-	(4,725)	(4,725)	(94,368)	(111,532)	-	-	(205,900)	(210,625)
Total comprehensive income for the period	-	-	-	-	-	-	1,924,620	1,924,620	(94,368)	(111,532)	-	-	(205,900)	1,718,720
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	206,369	-	(206,369)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	45,225	(45,225)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(1,357,075)	(1,357,075)	-	-	-	-	-	(1,357,075)
Stock dividends distributed to shareholder	73,355	-	-	-	-	-	(73,355)	(73,355)	-	-	-	-	-	-
Due to donated assets received	-	-	-	76	-	-	-	-	-	-	-	-	-	76
Conversion of convertible bonds	-	155,370	-	951,074	-	-	-	-	-	-	-	-	-	1,106,444
Share-based payment transactions	(2,376)	-	-	2,969	-	-	1,567	1,567	-	-	-	157,247	157,247	159,407
Balance as of December 31, 2018	3,738,751	155,370	-	4,013,683	2,003,082	153,348	6,190,163	8,346,593	(338,860)	(55,441)	-	(10,885)	(405,186)	15,849,211
Net income for the period	-	-	-	-	-	-	1,461,173	1,461,173	-	-	-	-	-	1,461,173
Other comprehensive income for the period	-	-	-	-	-	-	(12,911)	(12,911)	(197,750)	234,708	-	-	36,958	24,047
Total comprehensive income for the period	-	-	-	-	-	-	1,448,262	1,448,262	(197,750)	234,708	-	-	36,958	1,485,220
Appropriation and distribution of retained earnings:														
Appropriation for legal reserve	-	-	-	-	192,934	-	(192,934)	-	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	-	240,952	(240,952)	-	-	-	-	-	-	-
Cash dividends distributed to shareholder	-	-	-	-	-	-	(1,366,433)	(1,366,433)	-	-	-	-	-	(1,366,433)
Due to donated assets received	-	-	-	16	-	-	-	-	-	-	-	-	-	16
Conversion of convertible bonds	165,342	(155,370)	-	61,128	-	-	-	-	-	-	-	-	-	71,100
Share-based payment transactions	(800)	-	(970)	121,291	-	-	340	340	-	-	-	6,423	6,423	126,284
Balance as of December 31, 2019	$ 3,903,293	-	(970)	4,196,118	2,196,016	394,300	5,838,446	8,428,762	(536,610)	179,267	-	(4,462)	(361,805)	16,165,398

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Wistron NeWeb Corporation

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 1,719,027	2,030,889
Adjustments:		
Adjustments to reconcile (profit) loss		
Depreciation	707,040	547,732
Amortization	193,996	93,472
Expected credit impairment gain or loss	(1,553)	341
Net gain on financial assets and liabilities at fair value through profit or loss	(1,222)	(7,050)
Interest expense	82,693	69,086
Interest income	(18,296)	(21,022)
Dividend income	(43,468)	(33,703)
Compensation cost arising from share-based payment transactions	126,284	159,407
Share of profit of subsidiaries accounted for using equity method	(458,415)	(444,164)
Gain on disposal of property, plant and equipment	(5,274)	(18)
Loss on disposal of investments accounted for using equity method	9,849	-
Unrealized profit or loss from sales	(78,579)	(37,231)
Adjustment for other non-cash-related losses, net	13,603	5,926
Provision for inventory devaluation loss	232,347	153,455
Provision for allowance for sales discounts	(12,101)	317,404
Total adjustments to reconcile (profit) loss	746,904	803,635
Changes in operating assets and liabilities:		
Notes receivable	590	11,135
Accounts receivable	8,903	(2,462,365)
Accounts receivable from related parties	797,311	119,074
Inventories	(769,955)	(1,669,753)
Other operating assets	18,498	(167,564)
Notes and accounts payable	1,023,536	1,196,912
Accounts payable to related parties	(586,843)	1,479,513
Other operating liabilities	254,381	90,438
Total changes in operating assets and liabilities	746,421	(1,402,610)
Total adjustments	1,493,325	(598,975)
Cash flows generated from operations	3,212,352	1,431,914
Interest received	19,168	21,032
Dividends received	43,468	34,062
Interest paid	(79,845)	(54,052)
Income taxes paid	(281,753)	(384,824)
Net cash flows generated from operating activities	2,913,390	1,048,132
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(7,257)
Capital received from financial assets at fair value through other comprehensive income	423	-
Acquisition of financial assets at fair value through profit or loss	(4,133,790)	(125,000)
Proceeds from disposal of financial assets at fair value through profit or loss	4,065,628	1,712,529
Acquisition of investments accounted for using equity method	(154,066)	(295,500)
Proceeds from disposal of investments accounted for using equity method	65,138	-
Acquisition of property, plant and equipment	(1,649,621)	(1,668,730)
Proceeds from disposal of property, plant and equipment	6,544	466
Decrease (increase) in refundable deposits	8,155	(9,370)
Acquisition of intangible assets	(175,695)	(230,783)
Increase in other financial assets	(45,000)	-
Net cash flows used in investing activities	(2,012,284)	(623,645)
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(201,512)	38,223
Repayments of bonds	(10,900)	-
Proceeds from long-term borrowings	106,000	-
Increase in guarantee deposits received	6,188	-
Repayment of the principal portion of lease liabilities	(32,865)	-
Cash dividends paid	(1,366,433)	(1,357,075)
Due to donated assets received	16	76
Net cash flows used in financing activities	(1,499,506)	(1,318,776)
Net decrease in cash and cash equivalents	(598,400)	(894,289)
Cash and cash equivalents at beginning of period	1,566,755	2,461,044
Cash and cash equivalents at end of period	$ 968,355	1,566,755

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Wistron NeWeb Corporation

Notes to Parent-Company-Only Financial Statements

For the Years Ended December 31, 2019 and 2018

(amounts expressed in Thousands of New Taiwan Dollars, except for per share information and unless otherwise noted)

1. Organization

Wistron NeWeb Corporation (the "Company") was founded in Hsinchu, Republic of China (R.O.C.), on December 7, 1996. The registered address of the Company's office is 20 Park Avenue II, Hsinchu Science Park, Hsinchu 308, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on September 22, 2003.

The Company is engaged mainly in the research, development, production, and sale of wired communication equipment, wireless communication networking equipment, electronic components, regulated telecommunication radio frequency equipment, satellite communication systems, and mobile and portable communication equipment.

2. Approval Date and Procedures of the Financial Statements

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 11, 2020.

3. New Standards and Interpretations Adopted

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
IFRS 16 *Leases*	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 9 *Prepayment features with negative compensation*	January 1, 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*	January 1, 2019
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent-company-only financial statements. The extent and impact of significant changes are as follows:

A. IFRS 16 *Leases*

IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company applied IFRS 16 using the modified retrospective approach, and the details of the changes in accounting policies are disclosed below:

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(11).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(b) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company applies the recognition exemptions to its other equipment, which qualifies as low-value asset leases.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at either:

(i) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this approach to all its leases.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases:

(i) applied a single discount rate to a portfolio of leases with similar characteristics.

(ii) adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

(iii) applied the exemption not to recognize right-of-use assets and lease liabilities with lease terms that ends within 12 months of the date of initial application.

(iv) excluded the initial direct costs from measuring the right-of-use asset at the date of initial application.

(v) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability on January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

(d) Impacts on financial statements

On transition to IFRS 16, the Company recognized the additional amount of $1,479,243 as right-of-use assets, including the reclassification of its finance lease assets, and the amount of $1,479,339 as lease liabilities, respectively. When measuring lease liabilities, the Company discounted the lease payments using its incremental borrowing rate as of January 1, 2019, with a weighted-average rate of 1.24%.

The reconciliation between the operating lease commitments as of December 31, 2018 and the lease liabilities recognized in the initial application date is presented as follows:

		January 1,2019
Operating lease commitment as of December 31, 2018	$	655,668
Recognition exemption for:		
leases of low-value assets		(1,956)
Extension options reasonably certain to be exercised		1,289,967
	$	**1,943,679**
Discounted amount using the incremental borrowing rate as of January 1, 2019	$	1,477,247
Finance lease liabilities recognized as of December 31, 2018		2,092
Lease liabilities recognized as of January 1, 2019	**$**	**1,479,339**

B. IFRIC 23 *Uncertainty over Income Tax Treatments*

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the new amendments will not have any material impact on its parent-company-only financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New Standards, Interpretations and Amendments	Effective date per International Accounting Standards Board
Amendments to IFRS 3 *Definition of a Business*	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*	January 1, 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its parent-company-only financial statements.

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

As of the date, the following IFRSs have been issued by IASB, but have yet to be endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date per IASB
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 17 *Insurance Contracts*	January 1, 2021
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations).

(2) Basis of preparation

A. Basis of measurement

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

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

(b) Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value; and,

(c) The net defined benefit liabilities are measured as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising from retranslation are recognized in profit or loss except for the differences in equity instruments at FVOCI, which are recognized in other comprehensive income.

B. Foreign operations

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

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

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

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

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

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component are initially measured at the transaction price.

A. Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI and FVTPL.

The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Whereas dividends derived from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(c) Financial assets at FVTPL

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit loss (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, receivables, other financial assets and refundable deposits).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12-months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment as well as forward- looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

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

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

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(b) Financial liabilities

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

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations has been discharged or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, the cost includes an appropriate share of direct labors and production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in associates

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

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

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

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(9) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset.

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

(a) Buildings: 3 to 50 years

(b) Machinery and equipment: 1 to 6 years

(c) Research and development equipment: 5 to 6 years

(d) Other equipment: 3 to 5 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

Applicable from January 1, 2019

A. Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Company has the right to direct the use of an asset if either:

i. the Company has the right to the direct use of the identified asset when it has the decision-making rights that are most relevant to the changes on how and for what purpose the asset is used throughout the period.

ii the decision on how, and for what purpose, the asset is used is predetermined,

(i) the Company has the right to operate the asset, without the supplier having the right to change those operating instructions; or

(ii) the Company designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) fixed payments (including in-substance fixed payments);

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when:

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the assessment regarding the purchase option; or

(d) there is a change in the assessment on whether the Company will exercise an extension or a termination option; or

(e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company have elected not to recognize the right-of-use assets and lease liabilities for its other equipment which qualify as low-value asset leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

Applicable before January 1, 2019

A. Lessor

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

B. Lessee

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

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

(12) Intangible assets

A. Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over 1 to 5 years for intangible assets.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

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

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

(15) Revenue from contract with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

A. Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

When the Company offers volume discounts to its customers, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refunded liability is recognized for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term, which is consistent with the market practice.

The Company reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Company reassesses the estimated amount of expected returns.

The Company's obligation to provide a refund for faulty product under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(9).

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

B. Rendering of services

Some of the manufacturing and sales contracts of the Company include pre-production activities such as researching, developing, designing and testing of new products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the reporting date as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and a consideration is payable when invoiced.

C. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Share-based payment transactions

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

(18) Income tax

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

(a) levied by the same tax authority; or

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

Deferred tax assets are recognized for the unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(19) Earnings per share

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

(20) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

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

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

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

(1) The loss allowance of receivables

The Company has estimated the loss allowance of receivables that is based on the risk of a default occurring and the rate of ECL. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(2).

(2) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(3) for further description of the valuation of inventories.

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

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

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

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

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

For the assumption used in fair value measurement, please refer to note 6(21) of the financial instruments.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash, cash in bank and checking deposits	$ 652,242	346,755
Time deposits	316,113	1,220,000
	$ 968,355	1,566,755

Please refer to note 6(21) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets

Details were as follows:

A. Financial assets at FVTPL:

	December 31, 2019	December 31, 2018
Beneficiary certificates－mutual funds	$ 413,746	344,362

B. Financial assets at FVOCI:

Equity instruments at FVOCI

	December 31, 2019	December 31, 2018
Current:		
Domestic listed stocks	$ 881,372	599,008
Non-current:		
Foreign unlisted stocks	$ 57,722	117,821

These investments in equity instruments not held for trading, and therefore, are accounted for as FVOCI.

None of the aforementioned stock investments were disposed for the years ended December 31, 2019 and 2018, therefore, there were no transfers of any cumulative gain or loss under equity relating to these investments.

C. Notes receivable, accounts receivable (including related parties), and overdue receivables, net, are as follow:

	December 31, 2019	December 31, 2018	January 1, 2018
Current:			
Notes receivable	$ 11,897	12,487	23,622
Accounts receivable	9,632,228	9,650,851	7,188,486
Accounts receivable from related parties	2,534,287	3,331,598	3,450,672
	12,178,412	12,994,936	10,662,780
Less: loss allowance	(79,010)	(90,283)	(89,942)
	$ 12,099,402	12,904,653	10,572,838
Non-current:			
Overdue receivable	$ 176,264	176,264	176,264
Less: loss allowance	(176,264)	(176,264)	(176,264)
Overdue receivable, net (recorded in other non-current assets)	$ -	-	-

The Company applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for its receivables (including overdue receivables). To measure the ECL, receivables (including overdue receivables) have been grouped based on the shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The expected loss allowance was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Expected loss allowance
Not past due	$ 10,424,591	-	-
Past due 0~60 days	1,451,249	-	-
Past due 61~90 days	114,113	-	-
Past due 91~180 days	45,636	-	-
Past due more than 181 days	319,087	80.00%	255,274
	$ 12,354,676		255,274

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Expected loss allowance**
Not past due	$ 11,126,577	-	-
Past due 0~60 days	1,723,837	-	-
Past due 61~90 days	19,389	-	-
Past due 91~180 days	20,003	0.06%	13
Past due more than 181 days	281,394	94.72%	266,534
	$ 13,171,200		266,547

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

	For the years ended December 31,	
	2019	**2018**
Beginning balance	$ 266,547	266,206
Impairment loss recognized (reversed)	(1,553)	341
Amounts written off	(9,720)	-
Ending balance	$ 255,274	266,547

(3) Inventories, net

	December 31, 2019	**December 31, 2018**
Raw materials	$ 2,684,786	1,885,362
Work in process and semi-finished products	457,533	489,980
Finished goods	1,163,266	1,392,635
	$ 4,305,585	3,767,977

The details of operating costs were as follows:

	For the years ended December 31,	
	2019	**2018**
Cost of goods sold	$ 53,182,040	49,259,123
Inventory devaluation loss	232,347	153,455
Revenue from sale of scrap	(2,422)	(1,851)
Physical inventory loss	614	183
	$ 53,412,579	49,410,910

Wistron NeWeb Corporation

Notes to Parent-Company-Only Financial Statements

(4) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries	$ 7,211,787	6,914,409
Unrealized profit or loss from sales (downstream transactions) of the group	(72,452)	(151,031)
Income tax of unrealized profit or loss from sales (downstream transactions) of the group	6,520	13,592
	$ 7,145,855	6,776,970

Share of profit of subsidiaries accounted for using equity method were as follows:

	For the years ended December 31, 2019	2018
Subsidiaries	$ 465,487	473,872
Income tax of unrealized profit or loss from sales (downstream transactions) of the group	(7,072)	(29,708)
	$ 458,415	444,164

Please refer to consolidated financial statements for the year ended December 31, 2019, for the subsidiaries information.

(5) Property, plant and equipment

	Buildings	Machinery and equipment	Research and development equipment	Other equipment	Rental assets	Construction in progress and equipment awaiting inspection	Total
Cost:							
Balance as of January 1, 2019	$ 3,940,260	2,240,827	917,528	277,014	-	395,233	7,770,862
Additions	149,815	429,597	69,537	38,734	-	1,078,464	1,766,147
Disposals and obsolescence	(1,453)	(98,919)	(7,632)	(1,282)	-	-	(109,286)
Reclassification	(74,261)	660,825	16,344	(7,510)	305,331	(921,990)	(21,261)
Balance as of December 31, 2019	$ 4,014,361	3,232,330	995,777	306,956	305,331	551,707	9,406,462
Balance as of January 1, 2018	$ 2,982,237	1,935,259	900,376	266,655	-	122,034	6,206,561
Additions	602,664	189,028	37,007	19,164	-	837,328	1,685,191
Disposals and obsolescence	(5,948)	(25,009)	(73,374)	(11,503)	-	-	(115,834)
Reclassification	361,307	141,549	53,519	2,698	-	(564,129)	(5,056)
Balance as of December 31, 2018	$ 3,940,260	2,240,827	917,528	277,014	-	395,233	7,770,862
Accumulated depreciation:							
Balance as of January 1, 2019	$ 930,569	1,553,681	705,792	229,626	-	-	3,419,668
Depreciation for the period	194,043	356,316	90,276	21,763	4,668	-	667,066
Disposals and obsolescence	(1,453)	(97,648)	(7,632)	(1,282)	-	-	(108,015)
Reclassification	(1,571)	-	-	(5,663)	1,571	-	(5,663)
Balance as of December 31, 2019	$ 1,121,588	1,812,349	788,436	244,444	6,239	-	3,973,056
Balance as of January 1, 2018	$ 784,831	1,301,891	682,995	217,605	-	-	2,987,322
Depreciation for the period	151,686	276,799	96,171	23,076	-	-	547,732
Disposals and obsolescence	(5,948)	(25,009)	(73,374)	(11,055)	-	-	(115,386)
Balance as of December 31, 2018	$ 930,569	1,553,681	705,792	229,626	-	-	3,419,668

	Buildings	Machinery and equipment	Research and development equipment	Other equipment	Rental assets	Construction in progress and equipment awaiting inspection	Total
Book value:							
Balance as of December 31, 2019	$ 2,892,773	1,419,981	207,341	62,512	299,092	551,707	5,433,406
Balance as of December 31, 2018	$ 3,009,691	687,146	211,736	47,388	-	395,233	4,351,194

(6) Right-of-use assets

	Land	Buildings	Other equipment	Total
Cost:				
Balance as of January 1, 2019	$ -	-	-	-
Effects of retrospective application	1,473,621	1,195	10,090	1,484,906
Additions	219,877	9,065	4,955	233,897
Balance as of December 31, 2019	$ 1,693,498	10,260	15,045	1,718,803
Accumulated depreciation:				
Balance as of January 1, 2019	$ -	-	-	-
Effects of retrospective application	-	-	5,663	5,663
Depreciation for the period	32,491	1,054	6,429	39,974
Balance as of December 31, 2019	$ 32,491	1,054	12,092	45,637
Book value:				
Balance as of December 31, 2019	$ 1,661,007	9,206	2,953	1,673,166

The Company leases land and buildings, as well as other equipment, under operating leases, for the year December 31, 2018; please refer to note 6(12).

(7) Intangible assets

	Software	Other intangible assets	Total
Cost:			
Balance as of January 1, 2019	$ 291,269	86,405	377,674
Additions	57,274	100,128	157,402
Write-off	(65,510)	(2,268)	(67,778)
Balance as of December 31, 2019	$ 283,033	184,265	467,298
Balance as of January 1, 2018	$ 172,035	6,305	178,340
Additions	183,846	84,137	267,983
Write-off	(64,612)	(4,037)	(68,649)
Balance as of December 31, 2018	$ 291,269	86,405	377,674

		Software	Other intangible assets	Total
Amortization:				
Balance as of January 1, 2019	$	123,712	29,967	153,679
Amortization for the period		89,753	104,243	193,996
Write-off		(65,510)	(2,268)	(67,778)
Balance as of December 31, 2019	$	147,955	131,942	279,897
Balance as of January 1, 2018	$	123,307	5,549	128,856
Amortization for the period		65,017	28,455	93,472
Write-off		(64,612)	(4,037)	(68,649)
Balance as of December 31, 2018	$	123,712	29,967	153,679
Book value:				
Balance as of December 31, 2019	$	135,078	52,323	187,401
Balance as of December 31, 2018	$	167,557	56,438	223,995

(8) Bank borrowings

A. Short-term borrowings

	December 31, 2019				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	2.45%~2.65%	2020	$	1,806,360
Unsecured bank loans	GBP	1.41%~1.45%	2020		256,998
Total				$	2,063,358

	December 31, 2018				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	USD	2.95%~3.58%	2019	$	2,182,043
Unsecured bank loans	EUR	0.70%	2019		43,925
Unsecured bank loans	GBP	1.42%	2019		38,902
Total				$	2,264,870

Please refer to note 6(21) for the disclosure of interest risk, currency risk and liquidity risk.

B. Long-term borrowings

	December 31, 2019				
	Currency	Annual interest rate	Year of maturity		Amount
Unsecured bank loans	TWD	0.7%	2024	$	106,000

(9) Provisions – current

		Warranties
Balance as of January 1, 2019	$	163,775
Provisions made for the period		93,969
Provisions utilized during the period		(114,049)
Balance as of December 31, 2019	$	143,695
Balance as of January 1, 2018	$	242,420
Provisions reversed for the period		(40,176)
Provisions utilized during the period		(38,469)
Balance as of December 31, 2018	$	163,775

(10) Bonds payable

		December 31, 2019	December 31, 2018
Convertible bonds payable	$	1,500,000	1,500,000
Less: Accumulated amount of converted bonds		(1,489,100)	(1,418,000)
Subtotal		10,900	82,000
Less: long-term liabilities, current portion		-	(82,000)
Repayment		(10,900)	-
Book value – non-current	$	-	-
Equity element – conversion options (recorded in capital surplus – share options)	$	74,560	77,169

		For the years ended December 31, 2019	2018
Interest expense	$	-	14,817

The significant terms of the unsecured convertible bonds payable issued in January 2016 are summarized as follows:

Par value: $1,500,000

Maturity date: January 5, 2019

Coupon rate: 0%

Conversion price: The conversion price is calculated as 104.10% of the basis price, which is the average price among the arithmetic averages of the Company's closing prices for three business days before the basis date. Using the above approach, the conversion price of the issuance was $88 per share. The above conversion price has been adjusted down to $71.3 per share since August 15, 2018.

Conversion method: Except for the closed period, bondholders may convert bonds into the Company's ordinary shares at any time between February 6, 2016 and January 5, 2019.

The Company's 2nd unsecured convertible bonds payable were matured and repaid in January 2019.

Please refer to note 6(15) for the conversion of 2nd unsecured convertible bonds issued in 2016.

(11) Lease liabilities

The carrying amounts of lease liabilities are as follows:

	December 31, 2019
Current	$ 32,987
Non-current	$ 1,648,369

For the maturity analysis, please refer to note 6(21).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 18,682
Expenses relating to short-term leases	$ 16,565
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 2,602

	For the year ended December 31, 2019
Total cash outflow for leases	$ 69,730

A. Real estate leases

The Company leases land and buildings for its office spaces and staff dormitory. The leases of land typically run for a period of 20 years, and the office spaces and staff dormitory for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and office spaces contain extension options exercisable. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

The lease payment of the land contract depends on the current land price set by the local district, and the additional construction cost of the public facilities is adjusted after the calculation. This fee usually occurs once a year.

B. Other lease

The Company leases other equipment, with lease terms of 3 to 5 years. In some cases, the Company has options to purchase the assets at the end of the contract term.

In addition, the Company has elected not to recognize the right-of-use assets and lease liabilities for its other equipment, which qualifies as low-value asset leases.

(12) Operating lease

A. Lessee

For the year ended December 31, 2018, $28,437 was recognized as expenses in profit or loss in respect of operating leases. The Company entered into a land lease agreement with the Hsinchu Science Park Administration. The period of the land lease agreement is twenty years. The monthly rent is $3,480. Rental payment is subject to an adjustment as the government adjusts the land value.

B. Lessor

For the years ended December 31, 2019 and 2018, the operating leases of $33,761 and $5,205, respectively, were recognized as rental income.

(13) Employee benefits

A. Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligation	$ 287,348	261,703
Fair value of plan assets	(183,462)	(168,912)
Net defined benefit liabilities	**$ 103,886**	**92,791**

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

(a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $183,462 as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Movements in the present value of the defined benefit obligation

The movements in the present value of the defined benefit obligation of the Company for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	**2018**
Defined benefit obligation as of January 1	$ 261,703	248,785
Current service costs and interest	4,723	4,750
Remeasurements of the net defined benefit liabilities		
－Actuarial loss (gain) arising from experience adjustments	12,240	993
－Actuarial loss (gain) arising from changes in financial assumptions	9,116	8,594
Benefits paid from plan assets	(434)	(1,419)
Defined benefit obligation as of December 31	**$ 287,348**	**261,703**

(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,		
		2019	**2018**
Fair value of plan assets as of January 1	$	168,912	156,655
Interest income		2,344	2,581
Remeasurements of the net defined benefit liabilities			
－Return on plan assets (excluding current interest)		5,217	3,681
Contributions made		7,423	7,414
Benefits paid from plan assets		(434)	(1,419)
Fair value of plan assets as of December 31	**$**	**183,462**	**168,912**

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,		
		2019	**2018**
Current service costs	$	1,154	733
Net interest on the net defined benefit liabilities		1,225	1,436
	$	**2,379**	**2,169**

(e) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurements of the net defined benefit liabilities recognized as accumulated in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,		
		2019	**2018**
Cumulative amount as of January 1	$	(162,179)	(156,273)
Recognized for the period		(16,139)	(5,906)
Cumulative amount as of December 31	**$**	**(178,318)**	**(162,179)**

(f) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.125%	1.375%
Future salary increase rate	4.000%	4.000%

The Company expects to make a contribution of $7,490 to its defined benefit plans in the following year, beginning December 31, 2019.

The weighted-average duration of the defined benefit obligation is 15.56 years.

(g) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2019 and 2018, the impact on the defined benefit obligation would be as follows:

	Impact on the defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate	$ (9,116)	9,531
Future salary increase rate	9,100	(8,772)
December 31, 2018		
Discount rate	$ (8,594)	8,986
Future salary increase rate	8,609	(8,295)

Reasonably possible changes to one of the relevant actuarial assumptions on the reporting date, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach used in recognizing the net defined liability in the balance sheets is the same as the one used in developing the sensitivity analysis and the relevant actuarial assumptions in the current and previous years.

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were $144,762 and $113,177 for the years ended December 31, 2019 and 2018, respectively.

(14) Income tax

A. Income tax expenses:

The amount of income tax expenses for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31, 2019	2018
Current income tax expense		
Current period	$ 338,401	415,199
Surtax on unappropriated retained earnings	-	38,216
Adjustment for prior period	(80,840)	93,865
	257,561	547,280
Deferred income tax expense		
Origination and reversal of temporary differences	293	(427,331)
Adjustment in tax rate	-	(18,405)
	293	(445,736)
Income tax expenses	$ 257,854	101,544

B. The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31, 2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	$ (3,228)	(1,181)
Unrealized gains or losses from investments in equity instruments measured at FVOCI	(12,020)	992
	$ (15,248)	(189)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	$ (49,438)	(28,086)

The reconciliation of income tax expenses and income before income tax for the years ended December 31, 2019 and 2018 was as follows:

	For the years ended December 31, 2019	2018
Income before income tax	$ 1,719,027	2,030,889
Income tax at the Company's domestic tax rate	$ 343,805	406,178
Non-deductible expenses and others	116,943	172,784
Change in unrecognized deductible temporary differences	(82,054)	(551,094)
Tax-exempt income	(40,000)	(40,000)
Adjustment in tax rate	-	(18,405)
Surtax on unappropriated retained earnings	-	38,216
(Over)under-provision in prior periods	(80,840)	93,865
Total	$ 257,854	101,544

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2019	December 31, 2018
The temporary differences associated with investments in subsidiaries (tax amount):		
Unrecognized deferred tax liabilities	$ (633,148)	(551,094)

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Financial assets at FVOCI	Others	Total
Balance as of January 1, 2019	$ 26,967	43,853	48,463	30,206	-	-	107,340	256,829
Recognized in profit or loss	(622)	(1,370)	-	(15,716)	9,346	-	2,901	(5,461)
Recognized in other comprehensive income	-	-	49,438	-	-	11,028	3,228	63,694
Balance as of December 31, 2019	$ 26,345	42,483	97,901	14,490	9,346	11,028	113,469	315,062

	Allowance for doubtful accounts over the quota	Unrealized loss from inventory devaluation	Exchange differences on translation of foreign financial statements	Unrealized profit or loss from sales	Unrealized foreign exchange gain or loss	Financial assets at FVOCI	Others	Total
Balance as of January 1, 2018	$ 26,829	27,288	20,377	32,005	5,205	-	108,380	220,084
Recognized in profit or loss	138	16,565	-	(1,799)	(5,205)	-	(2,221)	7,478
Recognized in other comprehensive income	-	-	28,086	-	-	-	1,181	29,267
Balance as of December 31, 2018	**$ 26,967**	**43,853**	**48,463**	**30,206**	**-**	**-**	**107,340**	**256,829**

Deferred tax liabilities:

	Share of profit of subsidiaries accounted for using equity method	Financial assets at FVOCI	Unrealized foreign exchange gain or loss	Total
Balance as of January 1, 2019	$ (124,996)	(992)	(1,224)	(127,212)
Recognized in profit or loss	3,944	-	1,224	5,168
Recognized in other comprehensive income	-	992	-	992
Balance as of December 31, 2019	**$ (121,052)**	**-**	**-**	**(121,052)**
Balance as of January 1, 2018	$ (564,478)	-	-	(564,478)
Recognized in profit or loss	439,482	-	(1,224)	438,258
Recognized in other comprehensive income	-	(992)	-	(992)
Balance as of December 31, 2018	**$ (124,996)**	**(992)**	**(1,224)**	**(127,212)**

D. The Company’s tax returns have been examined by the tax authorities through 2017, except for the income tax return for 2015, which is still under review by the tax authorities.

(15) Capital and other equity interest

A. Issuance and cancellation of ordinary shares

As of December 31, 2019 and 2018, the authorized capital of the Company amounted to $8,000,000 and $5,000,000, respectively, both of which included the amount of $250,000 reserved for employee share options; the issued capital amounted to $3,903,293 and $3,738,751, respectively.

As of December 31, 2019, the Company cancelled 80 thousand shares of restricted stock awarded to its employees, with the completion of the registration procedures on September 2, 2019. The new ordinary shares of stock totaling 997 thousand shares were issued from the conversion of convertible bonds.

As of December 31, 2018, the Company cancelled 238 thousand shares of restricted stock awarded to its employees, of which, 206 thousand shares had already been cancelled on December 20, 2018, with the completion of the registration procedures on January 4, 2019. The new ordinary shares of stock totaling 15,537 thousand shares were issued from the conversion of convertible bonds, which were accounted for under advance receipts for share capital as the registration procedures were yet to be completed as of December 31, 2018. As of December 31, 2019, all of the advance receipts have been fully converted into ordinary share capital.

As of December 31, 2019, the restricted stock award for its employees who failed to qualify certain requirements have been retrieved, of which 97 thousand shares have not been cancelled.

Pursuant to a shareholders' resolution on June 15, 2018, the Company increased its ordinary share capital by 7,336 thousand shares through the transfer of stock dividends of $73,355. The effective date of the capital increase was August 15, 2018, which has already been registered with the government authorities.

B. Capital surplus

		December 31, 2019	December 31, 2018
Capital surplus－premium	$	2,644,653	2,410,165
Convertible bonds payable－premium		1,332,209	1,268,472
Treasury stock sold to employees		100,454	100,454
Due to donated assets received		92	76
Capital surplus from merger		36,653	36,653
Conversion options of bonds		74,560	77,169
Restricted stock awards		7,497	120,694
	$	4,196,118	4,013,683

In accordance with the R.O.C. Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

C. Retained earnings

(a) Legal reserve

If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to $136,043. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $108,123 as of December 31, 2019 and 2018.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. Pursuant to the shareholders' meeting held on June 5, 2019 and June 15, 2018, respectively, the Company appropriated to reduce its of shareholders' equity amounting to $240,952 and $45,225, respectively, as special reserve.

(c) Earnings distribution

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

The following are the appropriation of earnings in 2018 and 2017 which were approved during the shareholders' meeting held on June 5, 2019 and June 15, 2018, respectively:

	2018		2017	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 3.5007	1,366,433	3.7003	1,357,075
Shares	-	-	0.2000	73,355
		$ 1,366,433		1,430,430

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

The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting on March 11, 2020 ,and the distribution of cash dividends per share of $2.5, will be approved in annual shareholders' meeting. The related information will be available on the Market Observation Post System website after the resolution meeting.

(16) Share-based payment

A. Information about the Company's equity-settled share-based payment transactions for the years ended December 31, 2019 and 2018, is as follows:

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

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

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

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

C. Restricted stock awards

On June 16, 2016, pursuant to the resolutions of its shareholders' meeting, the Company issued 7,500 thousand shares of restricted stock awards to those full-time employees who conformed to the Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On March 15, 2017 and August 10, 2016, the Board of Directors approved a resolution to issue 510 thousand shares and 6,990 thousand shares, respectively, of restricted stock awards to its employees. The effective dates of the capital increase were July 3, 2017 and November 1, 2016, respectively, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

For the years ended December 31, 2019 and 2018, 80 thousand shares and 238 thousand shares, respectively, of the restricted stock awards issued to employees have expired; they were charged to capital surplus which amounted to $800 and $2,360, respectively. As the vesting period ended in November 2018, the Company decided to retrieve its restricted stock awards for its employees who failed to qualify certain requirements, as well as its cash and stock dividend generated from the above-mentioned restricted stock awards. Therefore, the retrieved cash dividend amounted to $296, and the stock dividends of 2 thousand shares were cancelled in December 2018. As of December 31, 2019 and 2018, the Company has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $4,462 and $10,885, respectively. Such deferred amounts were recorded as deduction of other equity.

For the year ended December 31, 2019, the Company recognized the salary costs of $340 from the distribution of cash dividends to its employees, which are using non-vesting conditions from the issuance restricted stock awards from the prior-period earnings in 2018. Such unrealized salary costs were credited under retained earnings.

For the year ended December 31, 2018, the Company recognized the salary costs of $641 and $1,224, respectively, from the distribution of cash and stock dividends to its employees, which are using non-vesting conditions from the issuance restricted stock awards from the prior-period earnings in 2017 and 2016. Such unrealized salary costs were credited under capital surplus and retained earnings amounting to $609 and $1,256, respectively.

(17) Earnings per share

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

	For the years ended December 31,	
	2019	**2018**
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,461,173	1,929,345
Weighted-average number of ordinary shares (in thousands)	388,289	370,219
Basic earnings per share (TWD)	$ 3.76	5.21
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company	$ 1,461,173	1,929,345
Interest expense on convertible bonds, net of tax	-	11,853
Net income attributable to ordinary shareholders of the Company (diluted)	$ 1,461,173	1,941,198
Weighted-average number of ordinary shares (in thousands) (basic)	388,289	370,219
Effect of potential diluted ordinary shares (in thousands):		
Effect of employee stock remuneration	3,050	3,476
Effect of unvested restricted stock awards	2,013	3,672
Effect of conversion of convertible bonds	13	14,922
Weighted-average number of ordinary shares (in thousands) (diluted)	393,365	392,289
Diluted earnings per share (TWD)	$ 3.71	4.95

(18) Revenue from contracts with customers

A. Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Revenues from major regional markets:		
Americas	$ 29,531,114	30,209,081
Asia	12,578,147	14,397,700
Europe	16,690,135	10,263,783
Others	90,510	119,835
	$ 58,889,906	54,990,399
Revenue from major products:		
Wireless communication products	$ 56,911,718	52,172,761
Others	1,978,188	2,817,638
	$ 58,889,906	54,990,399

B. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities－advance receipts	$ 211,680	318,166	286,680

For details on notes and accounts receivable and loss allowance, please refer to note 6(2).

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(19) Remuneration to employees and directors

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

(i) No less than 5%, by shares or in cash, as employee remuneration; employees of controlled companies who meet specific requirements set by the Board of Directors can also be included.

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

The remunerations to employees amounted to $188,229 and $222,377, as well as the remunerations to directors amounted to $13,445 and $15,884 for the years ended December 31, 2019 and 2018, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. There were no differences between the amounts of employees' and directors' remuneration allocated by the aforesaid board resolutions and the amounts in the parent-company-only financial statements of 2019 and 2018. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the year ended December 31, 2018, the remunerations to employees and directors amounted to $222,377 and $15,884, respectively, which were both paid in cash. The aforementioned remuneration was no difference between the actual amounts and the amounts accrued. The information is available on the Market Observation Post System website.

(20) Non-operating income and expenses

A. Other income

	For the years ended December 31, 2019	2018
Interest income:		
Interest income from bank deposits	$ 18,278	21,022
Others interest income	18	-
Rental income	33,761	5,205
Dividend income	43,468	33,703
Others	183,562	100,464
	$ 279,087	**160,394**

B. Other gains and losses

	For the years ended December 31, 2019	2018
Net gain on disposal of property, plant and equipment	$ 5,274	18
Loss on disposal of investments accounted for using equity method	(9,849)	-
Foreign exchange gains(losses), net	(40,490)	55,559
Net gain on financial assets and liabilities at FVTPL	1,222	7,050
	$ (43,843)	**62,627**

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense－bank borrowings	$ 64,011	54,163
Interest expense－bonds payable (note 6(10))	-	14,817
Interest expense－lease liabilities / Interest expense －finance lease obligations payable	18,682	106
	$ 82,693	69,086

(21) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Credit risk of receivables

For credit risk exposure of receivables, please refer to note 6(2). No loss allowances were recognized under other financial assets at amortized cost.

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2019					
Non-derivative financial liabilities					
Unsecured fixed-rate short-term borrowings	$ 1,708,754	1,713,846	1,713,846	-	-
Unsecured variable-rate short-term borrowings	354,604	354,908	354,908	-	-
Lease liabilities (including current portion)	1,681,356	2,189,279	52,993	241,863	1,894,423
Guarantee deposits received (recorded in other non-current liabilities)	6,188	6,188	-	6,188	-
Unsecured fixed-rate long-term borrowings	106,000	108,999	742	108,257	-
	$ 3,856,902	4,373,220	2,122,489	356,308	1,894,423

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	Over 5 years
December 31, 2018					
Non-derivative financial liabilities					
Unsecured fixed-rate short-term borrowings	$ 1,642,041	1,643,990	1,643,990	-	-
Unsecured variable-rate short-term borrowings	622,829	624,427	624,427	-	-
Unsecured convertible bonds payable	82,000	82,000	82,000	-	-
	$ 2,346,870	2,350,417	2,350,417	-	-

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2019		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 425,480	30.106	12,809,498
Investments accounted for using equity method			
USD	233,636	30.106	7,033,845
Financial liabilities			
Monetary items			
USD	387,264	30.106	11,658,969

	December 31, 2018		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 429,490	30.733	13,199,509
Investments accounted for using equity method			
USD	224,261	30.733	6,892,209

	December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**
Financial liabilities			
Monetary items			
USD	375,078	30.733	11,527,262

(b) Sensitivity analysis

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

A fluctuation in the TWD/USD exchange rate on December 31, 2019 and 2018, with other factors remaining constant, would have influenced the comprehensive income for the years ended December 31, 2019 and 2018 as illustrated below:

	Range of the fluctuations	**For the years ended December 31, 2019**	**2018**
TWD exchange rate	Depreciation of TWD 1 against the USD	$ 30,573	43,530
	Appreciation of TWD 1 against the USD	$ (30,573)	(43,530)

(c) Foreign exchange gains or losses on monetary items

Information on the foreign exchange gains or losses, including these realized and unrealized by significant foreign currency, were as follows:

	For the years ended December 31,			
	2019		**2018**	
	Foreign exchange gains (losses)	**Average rate**	**Foreign exchange gains (losses)**	**Average rate**
TWD	$ (40,490)	-	55,559	-

D. Interest rate analysis

The Company's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of financial risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2019 and 2018, as illustrated below:

	Range of the fluctuations	For the years ended December 31, 2019	2018
Annual interest rate	Increase of 1%	$ (2,837)	(4,983)
	Decrease of 1%	$ 2,837	4,983

E. Other market price risk

If the price of equity securities in the reporting date rises or falls by 1%, and the other variables remain constant, the annual other comprehensive income would have increase or decrease by $9,276 and $6,933 for the years ended December 31, 2019 and 2018, respectively.

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at FVTPL and financial assets at FVOCI is measured on a recurring basis. The Company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts, and lease liabilities), were as follows:

	December 31, 2019				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 413,746	413,746	-	-	413,746
Financial assets at FVOCI					
Domestic listed stocks	$ 881,372	881,372	-	-	881,372
Foreign unlisted stocks	57,722	-	-	57,722	57,722
	$ 939,094	881,372	-	57,722	939,094

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 968,355	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,099,402	-	-	-	-
Other financial assets – current	139,023	-	-	-	-
Refundable deposits	4,509	-	-	-	-
	$ 13,211,289	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,063,358	-	-	-	-
Notes and accounts payable (including related parties)	9,844,108	-	-	-	-
Lease liabilities (including current portion)	1,681,356	-	-	-	-
Long-term borrowings	106,000	-	-	-	-
Guarantee deposits received (recorded in other non-current liabilities)	6,188	-	-	-	-
	$ 13,701,010	-	-	-	-

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Beneficiary certificates – mutual funds	$ 344,362	344,362	-	-	344,362
Financial assets at FVOCI					
Domestic listed stocks	$ 599,008	599,008	-	-	599,008
Foreign unlisted stocks	117,821	-	-	117,821	117,821
	$ 716,829	599,008	-	117,821	716,829

	December 31, 2018				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,566,755	-	-	-	-
Notes and accounts receivable (including related parties and overdue receivable)	12,904,653	-	-	-	-
Other financial assets – current	70,608	-	-	-	-
Refundable deposits	12,664	-	-	-	-
	$ 14,554,680	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,264,870	-	-	-	-
Notes and accounts payable (including related parties)	9,357,883	-	-	-	-
Bonds payable (recorded in long-term liabilities, current portion)	82,000	91,430	-	-	91,430
	$ 11,704,753	91,430	-	-	91,430

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

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

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

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

The Company held its financial instruments presented as beneficiary certificates – mutual funds, domestic listed stocks and bonds payable, which are measured at fair value according to standard provisions and conditions; the fair value is measured using the quoted prices in an active market.

Except for the above financial instruments with an active market, the Company estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI－equity investments without an active market
Balance as of January 1, 2019	$ 117,821
Total gains and losses	
Recognized in other comprehensive income	(60,099)
Balance as of December 31, 2019	**$ 57,722**
Balance as of January 1, 2018	$ -
Effect of retrospective application	112,862
Total gains and losses	
Recognized in other comprehensive income	4,959
Balance as of December 31, 2018	**$ 117,821**

The gains (losses) from financial assets at FVOCI resulted from the recognition of the total gains and losses mentioned above.

(f) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI – equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI－equity investments without an active market	Market approach	·Price-to-sales ratios as of December 31, 2019 and 2018 ranged from 1.55~18.22, 1.09~18.90, respectively. ·Price-equity ratios as of December 31, 2019 and 2018 ranged from 3.51~4.99 and 2.90~3.09, respectively. ·Discount for lack of marketability as of December 31, 2019 and 2018 were 80%.	·The higher the price-to-sales ratio, the higher the fair value. ·The higher the price-equity ratio, the higher the fair value. ·The higher the discount for lack of marketability, the lower the fair value.

(22) Financial risk management

A. Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these parent-company-only financial statements.

B. Objectives and policies for managing risk

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

In accordance with a reviewed policy, the Company will not engage in derivative financial instruments for the purpose of speculation.

C. Credit risk

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

The Company deposits its cash and cash equivalents in various creditworthy financial institutions. Beneficiary certificates that were issued by various creditworthy entities and financial institutions. As a result, the Company believes that there is no concentration of credit risk in cash and cash equivalents and beneficiary certificates.

The Company continuously evaluates the credit policy, which includes insurance limits and credit ratings of its customers. The Company performs a periodic evaluation on its uncollected accounts receivable. Before delivery it also needs to assess the creditworthy of the customers. For the years ended December 31, 2019 and 2018, the Company had no concentration of credit risk arising from sales transactions. The Company evaluates the collectability of accounts receivable and provides adequate reserves for bad debts, if necessary.

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

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. For related information about endorsement guarantee, please refer to notes 7 and 13.

D. Liquidity risk

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

E. Market risk

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

(a) Interest rate risk

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

(b) Currency risk

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

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

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

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

(c) Other market price risks

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

(23) Capital management

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

The 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. According to the Company’s articles of incorporation, cash dividends should not be less than 10% of the sum of cash dividends and stock dividends.

There were no changes in the Company’s approach to capital management during the year ended December 31, 2019.

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

	December 31, 2019	December 31, 2018
Total liabilities	$ 17,754,736	15,572,445
Less: cash and cash equivalents	(968,355)	(1,566,755)
Net debt	$ 16,786,381	14,005,690
Total equity	$ 16,165,398	15,849,211
Debt-to-adjusted-capital ratio	103.84%	88.37%

As of December 31, 2019, the debt-to-adjusted-capital ratio had increased due to lease liabilities, which applied IFRS 16, resulting in an increase in the Company's liabilities.

(24) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes Other changes	December 31, 2019
Short-term borrowings	$ 2,264,870	(201,512)	-	2,063,358
Bonds payable (recorded in long-term liabilities, current portion)	82,000	(10,900)	(71,100)	-
Lease liabilities (including current portion)	1,479,339	(32,865)	234,882	1,681,356
Guarantee deposits received (recorded in other non-current liabilities)	-	6,188	-	6,188
Long-term borrowings	-	106,000	-	106,000
	$ 3,826,209	(133,089)	163,782	3,856,902

	January 1, 2018	Cash flow	Non-cash changes Other changes	December 31, 2018
Short-term borrowings	$ 2,226,647	38,223	-	2,264,870
Bonds payable (recorded in long-term liabilities, current portion)	1,173,627	-	(1,091,627)	82,000
	$ 3,400,274	38,223	(1,091,627)	2,346,870

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

Name of related parties	Relationship with the Company
ANC Holding Corporation (ANCH) (Note)	The subsidiary of the Company
NeWeb Holding Corporation (NEWH)	The subsidiary of the Company
W NeWeb Corporation (NUSA)	The subsidiary of the Company
WNC Holding Corporation (WNCH)	The subsidiary of the Company
WNC GmbH (NDE)	The subsidiary of the Company
WNC UK Limited (NUK)	The subsidiary of the Company
WNC JAPAN Inc. (NJP)	The subsidiary of the Company
WNC Vietnam Co., Ltd. (NVN)	The subsidiary of the Company
Webcom Communication (Kunshan) Co., Ltd. (NYC)	The subsidiary of the Company
WNC (Kunshan) Corporation (NQJ)	The subsidiary of the Company
NeWeb Service (Kunshan) Corporation (NQC)	The subsidiary of the Company
Wistron NeWeb (Kunshan) Corporation (NQX)	The subsidiary of the Company
NeWeb Communication (Kunshan) Corporation (NQY)	The subsidiary of the Company
Wistron Corporation (Wistron)	The entity with significant influence over the Company
Wistron InfoComm (CHONGQING) Co., Ltd. (WCQ)	The subsidiary of the entity with significant influence over the Company
Wistron InfoComm (Chengdu) Co., Ltd. (WCD)	The subsidiary of the entity with significant influence over the Company
Wiwynn Corporation (WYHQ)	The subsidiary of the entity with significant influence over the Company
COWIN WORLDWIDE CORPORATION (COWIN)	The subsidiary of the entity with significant influence over the Company
Wistron InfoComm (Kunshan) Co., Ltd. (WAKS)	The subsidiary of the entity with significant influence over the Company
International Standards Labs. (ISL)	The subsidiary of the entity with significant influence over the Company

Name of related parties	Relationship with the Company
WiAdvance Technology Corporation (AGI)	The subsidiary of the entity with significant influence over the Company
AII Holding Corporation (AIIH)	The subsidiary of the entity with significant influence over the Company
SMS Infocomm Corporation (WTX)	The subsidiary of the entity with significant influence over the Company
KunShan ChangNun Precision Die Casting Co., Ltd. (WQN)	An associate of the Company

Note: The liquidation of ANCH was completed in November 2019.

(2) Significant related-party transactions

A. Operating revenue

Related Party Categories	For the years ended December 31, 2019	2018
Subsidiaries		
NUSA	$ 9,325,898	7,113,933
Other subsidiaries	495,920	1,847,785
Entity with significant influence over the Company	7,035	2,134
Other related parties	367,484	319,991
	$ 10,196,337	9,283,843

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

As of December 31, 2019 and 2018, the unrealized profit or loss from sales with the investees under equity method amounted to $72,452 and $151,031, respectively, which were deducted from the investments accounted for using the equity method.

B. Purchases

Related Party Categories	For the years ended December 31, 2019	2018
Subsidiaries		
NQX	$ 16,100,336	19,427,979
NQJ	9,628,575	11,294,918
Other subsidiaries	1,568,083	1,469,549
Associate	48,417	60
	$ 27,345,411	32,192,506

Since the purchasing of products from subsidiaries is different from that of unrelated vendors, pricing and terms cannot be compared. Pricing and terms for purchases to associates are similar to those of unrelated vendors.

C. Accounts receivable from related parties

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries		
NUSA	$ 2,332,685	2,760,694
Other subsidiaries	39,838	419,706
Entity with significant influence over the Company	2,330	1,028
Other related parties	133,827	150,170
	$ 2,508,680	3,331,598

D. Accounts payable to related parties

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries		
NQX	$ 2,374,915	2,570,116
NQJ	1,997,641	2,521,509
Other subsidiaries	454,090	366,451
Associate	-	27
	$ 4,826,646	5,458,103

For the years ended December 31, 2019 and 2018, the Company transferred raw materials to its subsidiaries at a cost amounting to $634,743 and $295,706, respectively. The Company did not recognize the above transfers as sales revenue and cost of goods sold. As of December 31, 2019 and 2018, the receivables resulting from the above transactions and the payables to subsidiaries were offset to a net balance.

E. Prepaid payment (recorded in other current assets)

Related Party Categories	December 31, 2019	December 31, 2018
Associate	$ 38,931	-

F. Property Transactions

(a) Acquisition of property, plant and equipment

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

Related Party Categories	For the years ended December 31, 2019	2018
Subsidiaries	$ 158,187	31,081
Associate	6,340	8,236
	$ 164,527	39,317

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries	$ 74,593	4,312
Associate	301	2,757
	$ 74,894	7,069

(b) Acquisition of intangible assets

The amount of acquisition of intangible assets from related parties and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2019	2018
Other related parties	$ -	54,804

Related Party Categories	December 31, 2019	December 31, 2018
Other related parties	$ 18,907	37,200

G. Other transactions

(a) The amounts paid by the Company to its related parties for processing expenses, administrative and repair expenses, and the related unpaid balances were as follows:

Related Party Categories	For the years ended December 31, 2019	2018
Subsidiaries	$ 324,755	115,887
Entity with significant influence over the Company	4,970	6,066
Other related parties	4,755	5,915
Associate	645	902
	$ 335,125	128,770

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries	$ 75,661	12,845
Entity with significant influence over the Company	2,576	1,047
Other related parties	-	552
Associate	126	834
	$ 78,363	15,278

(b) The amount paid by the Company to its related parties for rental expenses incurred under the dormitory lease agreement, and the related unpaid balances were as follows:

	For the years ended December 31,			
	2019		2018	
Related Party Categories	Amount of the transaction	Accounts payable to related parties	Amount of the transaction	Accounts payable to related parties
Entity with significant influence over the Company	$ 3,017	460	2,356	207

As of December 31, 2019, the Company paid the refundable deposits (derived from the operating leases) to its related parties amounting to $96.

(c) The Company leased the factory to its other related parties, with lease terms based on their mutual agreements. For the year ended December 31, 2019, the Company incurred the rental and service income of $37,236; and the receivables resulting from the above transactions had been settled. As of December 31, 2019, the Company received the guarantee deposits (deriving from the lease contract) from its other related parties amounting to $6,188, which was recorded in other non-current liabilities.

(d) Advances to related parties

The Company paid certain expenses on behalf of the related parties including tooling, and the related unpaid balances as follows:

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries	$ 25,607	-

(e) Advances from related parties

The related parties paid certain expenses on behalf of the Company including freight, equipment and customs expense, and the related unpaid balances as follows:

Related Party Categories	December 31, 2019	December 31, 2018
Subsidiaries	$ 21,492	40,216

(f) For the years ended December 31, 2019 and 2018, the Company had received the cash dividends and stock dividends from its related parties amounting to $42,847 and $41,082, respectively. As of December 31, 2019 and 2018, the receivables resulting from the above transactions have been settled.

H. Endorsement Guarantee

As of December 31, 2019 and 2018, the Company's endorsement guarantee provided to subsidiaries amounted to $301,060 and $307,330, respectively.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the years ended December 31, 2019	2018
Short-term employee benefits	$ 131,542	175,262
Post-employment benefits	1,467	1,561
Share-based payment	41,391	50,214
	$ 174,400	227,037

Please refer to note 6(16) for further information on share-based payment.

8. Pledged Assets

The carrying values of the Company's pledged assets are as follows:

Assets	Purpose of Pledged	December 31, 2019	December 31, 2018
Time deposits (recorded in other financial assets－current)	Guarantees for land lease agreements	$ 65,000	20,000
Time deposits (recorded in other financial assets－current)	Guarantees for dormitory lease agreements	2,500	2,500
		$ 67,500	22,500

9. Significant Commitments and Contingencies: Please refer to note 6(12).

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

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

By function / By item	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	1,581,253	2,412,781	3,994,034	1,036,815	2,346,043	3,382,858
Labor and health insurance	143,256	153,446	296,702	80,979	139,513	220,492
Pension	57,661	89,480	147,141	33,937	81,409	115,346
Remuneration of directors	-	13,895	13,895	-	16,504	16,504
Others	163,955	81,393	245,348	92,680	76,261	168,941
Depreciation	480,653	226,387	707,040	331,189	216,543	547,732
Amortization	19,064	174,932	193,996	9,745	83,727	93,472

The amount of employees and employee benefits for the years ended December 31, 2019 and 2018, was follows:

	For the years ended December 31,	
	2019	2018
The number of employees	4,689	3,262
The number of directors who were not holding as a position of employee	7	7
The Average of employee benefits	$ 1,000	1,194
The Average of Salaries	$ 853	1,039
The Average of salary adjust rate	-18%	

13. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2019.

7 Financial Analysis, Financial Performance Analysis, and Risk Management

7.1. Financial Analysis (Consolidated)

Financial Analysis

Unit: Thousand NT$

Item	2019	2018	Increase/decrease amount	Change percentage (%)
Current assets	24,637,286	25,793,877	(1,156,591)	(4.48)
Property, plant, and equipment	7,050,586	6,353,679	696,907	10.97
Intangible assets	188,517	224,088	(35,571)	(15.87)
Other assets	2,560,338	792,508	1,767,830	223.07
Total assets	34,436,727	33,164,152	1,272,575	3.84
Current liabilities	16,197,980	17,094,483	(896,503)	(5.24)
Non-current liabilities	2,073,349	220,458	1,852,891	840.47
Total liabilities	18,271,329	17,314,941	956,388	5.52
Capital stock	3,902,323	3,894,121	8,202	0.21
Capital surplus	4,196,118	4,013,683	182,435	4.55
Retained earnings	8,428,762	8,346,593	82,169	0.98
Other equity	(361,805)	(405,186)	43,381	10.71
Total equity	16,165,398	15,849,211	316,187	1.99

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

Increase in “Other assets” and “Non-current liabilities” mainly due to the need to conform with the International Financial Reporting Standard 16 "Leases" from 2019 to recognize right-of-use assets and lease liabilities in the balance sheet.

7.2. Financial Performance Analysis (Consolidated)

Financial Performance Analysis

Unit: Thousand NT$

Item	2019	2018	Increased/ decreased amount	Change percentage (%)
Net operating revenues	62,239,582	56,049,676	6,189,906	11.04
Operating costs	55,149,651	48,937,009	6,212,642	12.70
Gross profit	7,089,931	7,112,667	(22,736)	(0.32)
Operating expenses	5,494,632	5,096,594	398,038	7.81
Net operating income	1,565,299	2,016,073	(450,774)	(22.36)
Total non-operating income and expenses	288,426	209,513	78,913	37.66
Income before income tax	1,883,725	2,225,586	(341,861)	(15.36)
Income tax	422,552	296,241	126,311	42.64
Net income	1,461,173	1,929,345	(468,172)	(24.27)

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

"Net operating income" decreased mainly due to reduction in gross profit.

"Total non-operating income and expenses" increased mainly due to increase in sales income of equipment, molds or fixtures.

"Income tax" increased mainly due to liability reversal of the deferred tax in the temporary differences associated with investments in subsidiaries at an earlier time.

"Net income" decreased mainly due to product mix change and increase in manufacturing and R&D expenses.

The estimated sales quantities and the basis of the estimation, which may influence the company's finance and business in the future, and strategies in response:

WNC's products cover a wide range of applications, with large price differentials across diverse products. Therefore it's not appropriate to use sales quantity as a basic metric. WNC, as a leader in the integration of wireline and wireless communications technologies, will continue devoting resources into new technologies and new product development to retain its leading position in the industry. WNC accelerates upgrades of cross-platform hardware and software integration capabilities and provides continuous development of key communications technologies. With years of experience in antenna design, system integration and applicable interface development, WNC aims to provide professional and flexible communications solutions for the IoT. We will continue promoting Industry 4.0 from a macro management perspective to strengthen operational management efficiency and competitiveness.

7.3. Cash Flow Analysis

7.3.1. Cash Flow Analysis for the Last Fiscal Year:

Unit: Thousand NT$

Cash at beginning	Net cash flows generated from operating activities	Cash flows of investing and financing activities	Effect of exchange rate changes	Cash at end	Contingency plans for insufficient cash position	
					Investing activities	Financing activities
2,354,096	4,602,222	(3,680,019)	(232,280)	3,044,019	-	-

■ Cash flow analysis:

The positive net cash flows generated from operating activities of NT$4.602 billion was mainly due to operating profit.

The negative net cash flows used in investing activities of NT$2.079 billion were mainly due to production expansion in the Hsinchu (S1) plant, and plant renovation and production line establishment in the Tainan (S2) plant.

The negative net cash flows used in financing activities of NT$1.601 billion was mainly due to cash dividend payments.

■ Remedial Actions for Liquidity Shortfall: None

7.3.2. Cash Flows Projection for the Next Year:

WNC's policy is to maintain stable cash flow. It regularly assesses its account cash balance and the cash flow of its operating activities, investment activities, and financing activities, and also assesses the status of the financial market, carefully planning and managing its cash flow to ensure the sufficiency and suitability of capital required for business operations.

7.4. Effects of Significant Capital Expenditures on Financial Operations

7.4.1. Significant Capital Expenditures and the Capital Sources

Unit: Thousand NT$

Project	Actual or anticipated capital sources	Anticipated amount of capital required	Actual or anticipated use of capital			
			2018	2019	2020	2021
Purchase of plant/office and renovation work	Cash flow generated from operations	1,160,000	980,000	180,000	-	-
Establishment of plant/office building (S3 in Tainan)	Cash flow generated from operations; bank loans	2,100,000	-	-	1,050,000	1,050,000
Establishment of plant/office building (V2 in Vietnam)	Cash flow generated from operations; bank loans	780,000			390,000	390,000

7.4.2. Effects of Significant Capital Expenditures on Financial Operations

The significant capital expenditures described above are in line with WNC's mandate to expand production capacity in Taiwan and Vietnam in order to meet global production capacity deployment planning needs as well as business development needs.

7.5. Policy for Investment

WNC's policy for investment is to target long-term strategic investment. In 2019, the investment loss recognized under the equity method was NT$8.775 million. In the future, WNC will continue to carefully evaluate the investment plan for adherence to this principle of long-term strategic investment.

7.6. Risk Management

7.6.1. How do interest rate, exchange rate, or inflation influence WNC's profits and losses, and how can it manage concomitant risks?

Unit: Thousand NT$

Item	2019
Interest income	36,773
Interest expense	102,063
Exchange gain/(loss)	8,424

WNC had around NT$3.46 billion in cash and open-end funds investment funds as of the end of 2019; we invested the surplus funds after considerable evaluation of the risks involved while closely monitoring fluctuations in bank lending rates regularly to reduce interest rate risks.
Approximately 96.75% of WNC's revenue was from export sales, and most of the export-sale amounts were quoted in U.S. dollars. Most of the material-purchasing amounts were also quoted in U.S. dollars. Therefore, the majority of WNC's currency exchange risk can be reduced and offset by regular import/export activities (a natural hedge). Other small amounts of foreign currencies can be exchanged to NT dollars depending on capital needs or market situations.
There was no major inflation influence on WNC during the past year.
The action plans to cope with the impact from interest rates, exchange rates, and inflation are:

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

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

WNC has not engaged in any high-risk or highly leveraged investments in the past year. It has not loaned funds or endorsed or entered into guarantees for any parties other than the subsidiaries wholly owned by itself, and no loss has been incurred.
WNC executed derivatives transactions under the related regulations of the company, and the transactions were within our business scope. The goal of such transactions is to avoid most market price risks.
Looking ahead, WNC will adhere to its existing principles and will not make high-risk and highly leveraged investments. We will only loan to other parties or endorse and enter into guarantees for other parties under WNC's applicable regulations. Derivatives transactions will be performed strictly in compliance with the Rules and Procedures for Derivative Transactions set forth by WNC.

7.6.3. Research and development planning

- Future research and development plans

Category	Items
Microwave communications product series	• Mobile high-frequency satellite two-way communications receivers • Next-generation microwave mobile broadband bridges • Next-generation mmWave mobile broadband repeaters
Mobile and home communications product series	• Next-generation mobile communications routers • Wi-Fi 6 mesh routers • 10G PON gateways • AIoT image sensors • C-V2X communications modules • Next-generation automobile network access device modules • Wireless biosensors detection devices • Cellular network micro-signal transmission devices • Private cellular network packet acceleration processing modules

■ Revenue to be invested in research and development

WNC will continue to invest in equipment for the above-mentioned products and recruit outstanding research and development personnel for innovation and development in order to maintain a leading role in the technologies involved, taking full advantage of market opportunities. In view of this, it is estimated that 4% of WNC’s revenues will be invested in research and development in 2020.

7.6.4. The impact of legal and regulatory changes on WNC

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

7.6.5. Impact of technological and industrial changes on WNC

Technology and industry advancements in recent years have not directly and materially impacted the company’s finance and businesses. Nevertheless, WNC will respond to fierce market competition by strengthening product functions, cutting product costs, and strictly controlling operating expenses.

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

N/A.

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

N/A. WNC does not have any acquisition plans.

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

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

7.6.9. Supply and distribution concentration:

There is no concentration risk pertaining to suppliers and customers.

7.6.10. How do share transfers made by directors, supervisors or shareholders with greater than 10% shareholdings affect WNC? What are the countermeasures?

None.

7.6.11. Impact of management changes on WNC and action plans:

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

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

- Alacritech filed a lawsuit against Wistron with the United States District Court for the Eastern District of Texas in June 2016. The alleged infringing products were servers, network cards, and other related products. This lawsuit is temporarily suspended, pending the review results of the United States Court of Appeals for the Federal Circuit regarding the specific patents of Alacritech.
- Hitachi Maxell Ltd. (Japan) filed an arbitration action against Wistron in New York City in accordance with the TV-related patent licensing contract signed with the company in March 2017 and the UNCITRAL Arbitration Rules. Wistron has appointed an American lawyer to assist the process. Because the court of arbitration has not yet made a decision on the content of the second-stage trial, the company cannot yet confirm the final outcome of the trial for this case.

7.6.13. Information Security Risk

WNC strictly adheres to the contracts and confidentiality agreements entered into with customers, implements control over confidential information, and has established an information security policy. In 2014, WNC set up an Information Security Committee, which oversees the creation and promotion of various information protection measures. The Information Security Management Review Committee is composed of top-tier supervisors of each departmental unit, with the President and CEO as the chairman of the committee and the CSO as the convener. An ISMS management review meeting is held every six months to ensure the promotion and implementation of information security policies and related laws and regulations, and to check and review the implementation effectiveness and progress of various information security projects and matters.

- Information Security Control Mechanism

WNC conducts the following on a yearly basis: Inventory and updating of information asset lists, risk assessment, business impact analysis, disaster recovery drills, review of user accounts and access privileges, review of firewall rules, security awareness and educational training, vulnerability scanning and penetration testing, deployment of notebook hard drive encryption, installation of software asset systems for legal authorization controls and illegal software monitoring, installation of system log preservation and irregularity reporting platform, and ISO27001 compliance checks. We also adopt social interaction project drills and other control mechanisms as needed and continuously improve the entire information security management system to ensure the confidentiality, integrity, and availability of the company's information-related systems.

- Information Security Risk Management

To protect WNC and its customers' confidential information (including trade secrets and intellectual property) and reduce various types of losses and operational impact, WNC's headquarters, manufacturing sites in Hsinchu Science Park, Tainan Science Park, Vietnam, and China, and subsidiaries in the United States and United Kingdom have acquired ISO/IEC 27001 information security management system verification, developed information security risk assessment and management processes, and adopted an Information Security Policy that regulates operating procedures to manage account password access privileges, manages account holder access, manages portable storage devices, protects information system security, manages information backup and restoration, controls confidential information, and classifies and protects the documents of all departments. These security measures serve to avoid the improper accessing of and tampering with the company's information systems and prevent the theft or leakage of the company or its customers' trade secrets and intellectual property.

Although WNC has established the aforementioned policies, processes, and information security control measures, we still cannot guarantee that controls or important operating information systems can completely circumvent the impact of new risks and cyber attacks. These attacks may destroy company operations or attempt to steal the company's trade secrets and other sensitive information by illegally hacking into our Intranet systems. When under cyberattack, relevant information systems may lose important information or cause service suspension. WNC continuously adopts the PDCA cycle to check and evaluate applicable regulations and operating procedures so as to ensure their appropriateness and effectiveness.

The Digital Information Management Division installs internal cloud-based R&D platforms for centralizing the storage and management of R&D information to protect the company's R&D results and confidential information and to provide a safe and secure space for information access and exchange. We also initiate trade secret inventory operations that involve identifying and organizing each department's trade secrets and to remind employees of and confirm their access and custody measures. WNC sees suppliers as partners who are vital to the success of the company. In addition to having suppliers sign a confidentiality agreement, we also adopt supplier questionnaires and conduct audits on suppliers' compliance status, experience sharing activities, and review and improvement plans to encourage suppliers to actively support and comply with our information security policies and regulations.

We continue to conduct ISO27001 internal/external auditing and risk assessments every year, carry out operational impact analysis, follow business continuity plans to perform recovery drills, assess and incorporate potential risks and formulate all types of control mechanisms and protective measures, and plan and execute various information security awareness and education training programs and relevant information security policies announced in the company. The objectives of these actions are to raise employees' information security awareness, improve the company's entire information security management system, create an effective security protection network, build an integrated security protection structure, and increase the availability of service-level agreement for core information systems.

7.6.14. Other risks

None.

7.7. Other Important Matters

None.

8 Special Disclosure

8.1. Summary of Affiliated Companies

8.1.1. Organizational Chart

As of Dec. 31, 2019

Wistron NeWeb Corporation

Stake held	100%	100%	100%	100%	100%	100%	100%
Shares held (Share)	-	2,633,170	103,300,000	200,000	25,000	60,000	400
Amount (Thousand NT$)	154,066	84,212	3,251,521	6,944	966	3,049	5,272
Company	WNC Vietnam Co., Ltd. (Vietnam)	WNC Holding Corporation (Samoa)	NeWeb Holding Corporation (Samoa)	W-NeWeb Corporation (USA)	WNC GmbH (Germany)	WNC UK Limited (UK)	WNC Japan Inc. (Japan)

NeWeb Holding Corporation (Samoa)

Stake held	100%	100%	100%	100%	100%
Shares held (Share)	-	-	-	-	-
Amount (Thousand NT$)	9,825	1,180,074	1,206,552	559,570	295,500
Company	NeWeb Service (Kunshan) Corporation	Wistron NeWeb (Kunshan) Corporation	WNC (Kunshan) Corporation	WebCom Communication (Kunshan) Corporation	NeWeb Communication (Kunshan) Corporation

8.1.2. Information Disclosure Statement for Affiliated Companies in Accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises":

Consolidated Financial Statements of Affiliated Companies

Representation Letter

The entities that are required to be included in the consolidated financial statements of affiliated companies of Wistron NeWeb Corporation as of and for the year which ended December 31, 2019, under the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises* are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements" that have been certified by the Financial Supervisory Commission, R.O.C. The information required to be disclosed is included in the consolidated financial statements. Consequently, Wistron NeWeb Corporation has not prepared a separate set of consolidated financial statements for affiliated companies.

Company Name: Wistron NeWeb Corporation

Chairman: Haydn Hsieh

Date: March 11, 2020

8.1.3. Business Scope of WNC and Its Affiliated Companies

The business scope of WNC and its affiliated companies includes the design, research and development, production, and sales of networking and communications products, as well as services for the products.

8.1.4. Affiliated Companies Information

As of December 31, 2019

Company	Date of Establishment	Address	Capital Stock	Business Activities
WNC Holding Corporation	Oct. 9, 2001	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 2,633,170	Holding company
NeWeb Holding Corporation	May 17, 2002	P.O.Box 217, Apia, Samoa	USD 103,300,000	Holding company
W-Neweb Corporation	Feb. 27, 2003	1525 McCarthy Blvd, Suite 206, Milpitas, CA 95035	USD 200,000	Sales of satellite communications product series and mobile communications product series
WNC GmbH	March 21,2012	-	EUR 25,000	Related services for wireless communications products
WNC UK Limited	June 4, 2014	Herschel House 58 Herschel Street Slough SL1 1PG	GBP60,000	Related services for wireless communications products
WNC Japan Inc.	Jan. 23, 2015	Yokohama Wise Next Shin Yokohama, 3F, 2-5-14 Shin-Yokohama Kohoku-ku Yokohama-shi, Kanagawa-ken, Japan	JPY 20,000,000	Related services for wireless communications products
WNC Vietnam Co., Ltd.	Jan. 23, 2019	Factory H2, Lot G1-3-4-6-8, Que Vo Industrial Park, Van Duong Ward, Bac Ninh City, Bac Ninh Province, Vietnam.	USD5,000,000	Processing and assembly of satellite communications product series and mobile communications product series
WebCom Communi-cation (Kunshan) Corporation - Kunshan Plant	Nov. 14, 2003	121 DuJuan Rd., Precision Machinery Industrial Park, KunShan City, Jiangsu Province, P.R.C	USD 17,000,000	Sales of satellite communications product series and mobile communications product series
WNC (Kunshan) Corporation	March 1, 2004	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 38,000,000	Sales of satellite communications product series and mobile communications product series
Wistron NeWeb (Kunshan) Corporation	April 7, 2006	789 Yujinxiang Rd., Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 38,000,000	Sales of satellite communications product series and mobile communications product series
NeWeb Service (Kunshan) Corporation	Aug. 2, 2007	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 300,000	Sales of satellite communications product series and mobile communications product series
NeWeb Communi-cation (Kunshan) Corporation	Jan. 12, 2018	88 Central Avenue, Comprehensive Free Trade Zone, Kunshan City, Jiangsu Province, P.R.C	USD 10,000,000	Sales of satellite communications product series and mobile communications product series

8.1.5. Shareholders in Common of WNC and Its Affiliated Companies with Deemed Control and Subordination: None.

8.1.6. Affiliated Companies' Directors, Supervisors, and Key Managers Information

As of Dec. 31, 2019

Company	Title	Name / Representative	Shareholding	
			Shares	%
WNC Holding Corporation	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh, Jeffrey Gau	2,633,170	100
NeWeb Holding Corporation	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh, Jeffrey Gau	103,300,000	100
W-Neweb Corporation	Director	Wistron NeWeb Corp. Representative: Feng-Yuh, Juang	200,000	100
WNC GmbH	Director	Wistron NeWeb Corp. Representative: Haydn Hsieh	25,000	100
WNC UK Limited	Director	Wistron NeWeb Corp. Representative: Chun Lee	60,000	100
WNC Japan Inc.	Director	Wistron NeWeb Corp. Representative: Jeffrey Gau	400	100
WNC Vietnam Co., Ltd.	Director	Wistron NeWeb Corp. Representative: Jeffrey Gau	Limited company	100
WebCom Communication (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
WNC (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
Wistron NeWeb (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
NeWeb Service (Kunshan) Corp.	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100
NeWeb Communication (Kunshan) Corporation	Director	NeWeb Holding Corporation Representative: Haydn Hsieh, Jeffrey Gau, Larry Lee	Limited company	100

8.1.7. Affiliated Companies' Business Operations

Unit: Thousand NT$, except for EPS, which is in NT$ As of Dec. 31, 2019

Company	Capital	Total asset	Total liability	Net value	Operating revenue	Operation profit (loss)	Net income (loss)	EPS
Wistron NeWeb Corp.	3,902,323	33,920,134	17,754,736	16,165,398	58,889,906	1,108,061	1,461,173	3.76
ANC Holding Corp. (Note)	-	-	-	-	-	(4,082)	(3,194)	-
W-NeWeb Corp.	6,944	2,916,678	2,374,668	542,010	10,537,771	92,673	67,694	-
WNC GmbH	966	2	2,210	(2,208)	-	(11)	(11)	-
WNC UK Limited	3,049	26,488	4,912	21,576	72,896	3,471	2,718	-
WNC Japan Inc.	5,272	7,422	1,072	6,350	7,552	624	438	-
WNC Vietnam Co., Ltd.	154,066	323,977	171,753	152,224	154,198	2,391	(3,633)	
WNC Holding Corp.	84,212	110,663	-	110,663	-	(19)	(8,794)	-
NeWeb Holding Corp.	3,251,521	6,381,172	-	6,381,172	-	-	410,269	-
WebCom Communication (Kunshan) Corp.	559,570	1,876,739	578,158	1,298,581	3,223,226	41,304	51,518	-
WNC (Kunshan) Corp.	1,206,552	5,030,860	2,272,804	2,758,056	10,819,572	138,906	169,582	-
Wistron NeWeb (Kunshan) Corp.	1,180,074	4,746,174	2,752,231	1,993,943	16,218,048	208,220	176,305	-
NeWeb Service (Kunshan) Corp.	9,825	66,477	28,740	37,737	116,924	4,658	5,364	-
NeWeb Communication (Kunshan) Corporation	295,500	292,851	-	292,851	-	(897)	7,500	-

Note: Completed asset settlement in November 2019

8.1.8. Affiliated Companies' Annual Reports: None

8.2. Private Placement Securities in 2019 and as of the Date of the Publication Date of this Annual Report: None

8.3. Status of WNC Common Shares Acquired, Disposed of, and Held by Affiliated Companies: None

8.4. Other Necessary Supplements: None

9 Any Events in the most recent year and as of the Publication Date of this Annual Report that Had Significant Impact on Shareholders' Rights or Security Prices as Defined by Item 3, Paragraph 2 of Article 36 of the Securities and Exchange Law of Taiwan: None

WNC

Wistron NeWeb Corp.