Stock Code: 6285

Wistron NeWeb Corporation

2011 Annual Report (Translation)

Publication Date: April 27, 2012

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

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

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

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1. Letter to Shareholders

Dear Shareholders,

First of all, WNC would like to thank all of its shareholders for their support and trust. In the highly competitive year of 2011, WNC was able to overcome cost pressures from rising material prices, climbing wage standards and Asian currency appreciation. Furthermore, substantial progress in development of new technologies, new products and new markets, as well as in financial indicators has been achieved due to the hard work and devotion of WNC employees.

Financial and Operational Results

In 2011, WNC revenue was NT$31.9 billion and gross profit was NT$3.9 billion. Consolidated revenue of 2011 reached NT$34 billion with an annual growth rate of 24.3%. Consolidated gross profit was NT$5.3 billion and consolidated net profit was NT$1.8 billion. Basic earnings per share reached NT$5.98.

In regard to corporate operations as a whole, WNC was able to maintain comparable competitiveness and profitability while overcoming the cost pressures of climbing wage standards and rising material prices. This result can be attributed to WNC's efforts in the past few years to invest in new technologies, roll out new products and develop new markets as well as meeting customer demand for high quality products.

Research and Development Status

WNC focuses on rapid development and creative application of wireless communications products based on our integration capabilities in wireless communication technologies. Through strengthening our patent portfolio WNC is able to self-develop key technologies and integrate cross-product technologies and resources. Taking advantage of its self-developed technologies, WNC improves product functionality, develops new materials and new processes or even expands application scope to enhance product value and obtain new opportunities and customers.

Our innovative R&D efforts were recognized once again in 2011 by our winning of the Hsinchu Science Park R&D Accomplishment Award and Innovative Product Award, National Invention & Creation Awards and the Red Dot Award in the communication design category.

In 2011 WNC has also accumulated considerable intellectual property resources and has around a thousand approved patents and patents pending. WNC will continue to develop innovative wireless communications technologies, looking to increase both the quantity and the quality of the patents we hold. We believe that the continued accumulation of innovative capabilities will help us stand out in the highly competitive environment in which we operate.

Operation and Management

The global market situation remains unclear, and the European sovereign-debt crisis, amongst other factors, has led to a period of slowdown in the international economy. In the face of this uncertain economic climate, we will pursue the following solutions: externally, business expansion will remain a major focus of WNC, while internally we will modify management information systems to conform to IFRS requirements. At the same time, 6 Sigma, TCS (Total Customer Satisfaction) and BPI (Business Process Improvement) will be applied proactively to enhance operational efficiency, product quality and competitiveness. We believe human resources are the most valuable assets of a company. Therefore we are committed to the effective training of employees and were honored to win the 2011 National HRD InnoPrize in recognition of this.

In addition, in 2011, WNC published its first Corporate Social Responsibility Report. The report covers all issues of concern to stakeholders as well as WNC's achievements in helping the environment and society.

Future Outlook

In recent years changes in the global environment have been more and more rapid while market trends have changed so frequently they have become difficult to keep up with. However demand for broadband, wireless, and smart device related products and services continues to grow. Therefore, we will devote ever greater efforts to the accomplishment of our corporate mission in the spirit of "back to basics". We believe that we will be able to react in a timely manner and in the right way to challenges as they arise and will continue to deliver high quality products and services in order to maintain positive growth and obtain the greatest benefit for our shareholders.

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

Simon Lin
Chairman of Wistron NeWeb Corporation

2. Company Introduction

2.1 Date of Establishment

December 7, 1996

2.2 Milestones

Dec.	1996	Wistron NeWeb Corporation was founded, located on Dongda Rd., Hsinchu City, Taiwan.
Feb.	1997	Paid-in capital amounted to NT$127,800,000.
April	1997	Established manufacturing plant on Fenggang Rd., in Zhubei City.
Sept.	1997	Paid-in capital amounted to NT$199,800,000.
April	1998	Obtained ISO 9001 certification from RWTUV (Germany).
Sept.	1998	Triple Beam Antenna and Wireless PC Connection products received the Taiwan Symbol of Excellence Award.
Jan.	1999	Obtained patent for small-type round/linear dual-purpose wave collector.
Nov.	1999	Paid-in capital amounted to NT$400,000,000.
June	2000	Obtained patent for satellite dish antenna microstrip array feed device.
June	2000	Obtained patent for multiple-feed electromagnetic signal receiving apparatus.
June	2000	Bluetooth product series honored with Best Product Award at Computex Taipei 2000.
July	2000	Springboard Wireless Connector technology transferred from WIDCOMM (U.S.).
July	2000	Obtained patent for antenna receiver device.
Aug.	2000	Obtained patent for modularized multiple-feed electromagnetic signal receiving apparatus.
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.
Oct.	2000	Obtained patent for feed source wave concentrating device.
Dec.	2000	Obtained patent for dual elliptical corrugated feed horn for a receiving antenna.
Dec.	2000	Established ANC Holding Corporation.
Oct.	2001	Established WNC Holding Corporation.
Dec.	2001	Bluetooth USB dongle received Taiwan Symbol of Excellence Award.
Jan.	2002	Moved to the Hsinchu Science Park. Paid-in capital amounted to NT$480,000,000.
May	2002	Established NeWeb Holding Corporation.
May	2002	Capital increase of NT$61,957,000 through capitalization of profits. Paid-in capital amounted to NT$541,957,000.
July	2002	Honored with the Best International Import and Export Trade Growth in Taiwan.
Nov.	2002	Paid-in capital amounted to NT$644,000,000.
Feb.	2003	Established W-NeWeb Corp. in the U.S.
July	2003	Capital increase of NT$165,980,000 through capitalization of profits. Paid-in capital amounted to NT$809,980,000.
Sept.	2003	Wistron NeWeb Corporation was publicly listed on the Taiwan Stock Exchange .

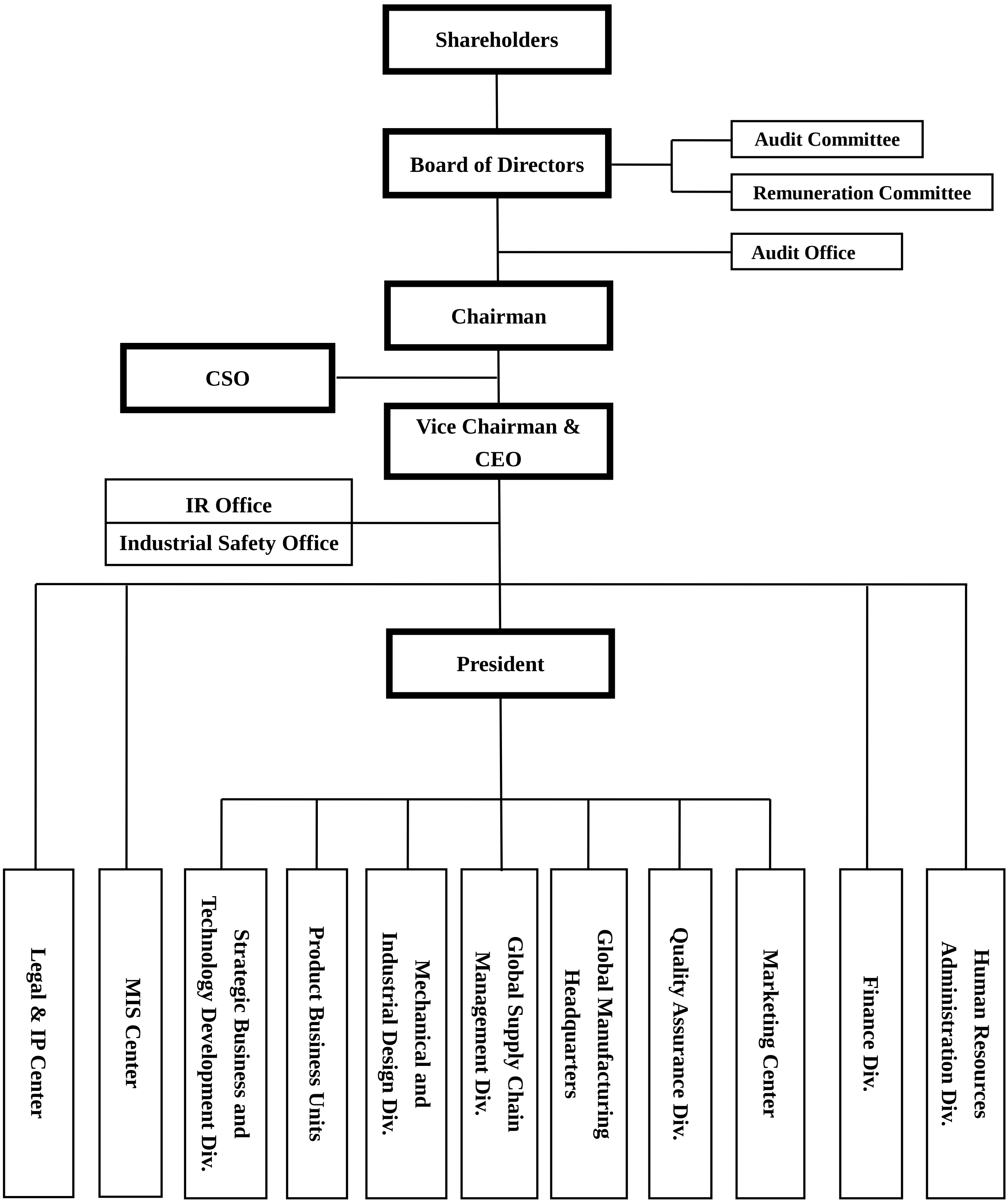
Nov.	2003	IEEE802.11a/g Switch won a 2003 Innovation Product Award from the Hsinchu Science Park.
Nov.	2003	Established WebCom Communication (Kunshan) Corporation in Mainland China.
March	2004	Established WNC (Kunshan) Corporation in Mainland China.
May	2004	Merged with Acer Netxus Inc. from May 31, 2004.
Aug.	2004	Capital increase of NT$159,306,000 through capitalization of profits. Paid-in capital amounted to NT$993,147,000.
Aug.	2005	Capital increase of NT$176,264,000 through capitalization of profits. Paid-in capital amounted to NT$1,182,221,000.
Sept.	2005	Raised capital of NT$170,000,000. Paid-in capital amounted to NT$1,364,727,000.
Nov.	2005	Obtained ISO 14001 certification from RWTUV (Germany).
Nov.	2005	LNB annual output reached 10 million.
Dec.	2005	Obtained ISO/TS 16949 certification from RWTUV (Germany).
Jan.	2006	Wi-Fi Phone received 2006 CES Innovations Design and Engineering Award.
Feb.	2006	Obtained SONY Green Partner Certification.
April	2006	Established Wistron NeWeb (Kunshan) Corporation in Mainland China.
June	2006	GSM/Wi-Fi Dual Net Phone (GW1) received the 2006 Best Choice of Computex Taipei Award.
Aug.	2006	Capital increase of NT$238,078,000 through capitalization of profits. Paid-in capital amounted to NT$1,611,055,000.
Nov.	2006	Obtained the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
July	2007	Wi-Fi Video Phone received the Taiwan Symbol of Excellence Award.
Aug.	2007	Capital increase of NT$388,527,000 through capitalization of profits. Paid-in capital amounted to NT$2,014,812,000.
Aug.	2007	Established NeWeb Service (Kunshan) Corporation in Mainland China.
Dec.	2007	Started mass production of Ka/Ku ODU products.
Jan.	2008	GSM/Wi-Fi Dual Net Phone received the 2008 CES Innovations Design and Engineering Award.
March	2008	Honored with the Best Participation of Green Procurement for Enterprises in 2007.
April	2008	WNC Utopia Interface designed for handsets received the 2008 iF communication design award.
May	2008	Began construction of the new WNC headquarters building.
Aug.	2008	Capital increase of NT$352,340,000 through capitalization of profits. Paid-in capital amounted to NT$2,367,151,000.
Sept.	2008	The Wi-Fi Media Frame wireless multimedia player received an Innovation Product Award from Hsinchu Science Park.
Oct.	2008	Obtained OHSAS 18001 certification from RWTUV (Germany).
Jan.	2009	GSM/PHS Mobile TV Phone received the 2009 iF product design award.
Sept.	2009	Capital increase of NT$154,560,000 through capitalization of profits. Paid-in capital amounted to NT$2,521,711,000.
Nov.	2009	Received the Science Park R&D Accomplishment Award from the Hsinchu Science Park.
Nov.	2009	Completed auditing and training programs of EuP Directive 2005/32/EC and applied them in product design processes.
Jan.	2010	Moved to 20 Park Avenue II (or Yuanchu 2nd Rd), Hsinchu Science Park, Hsinchu County.
April	2010	Completed auditing and training programs of ErP Directive 2009/125/EC and applied them in product design processes.
June	2010	UI design artwork, Fun-Quick, received the 2010 iF communication design award.

Aug.	2010	Capital increase of NT$124,069,000 through capitalization of profits. Paid-in capital amounted to NT$2,663,390,000.
Aug.	2010	Received Contribution Award and Invention Award in 2010 National Invention & Creation Awards.
Oct.	2010	Received the 2010 National Standardization Award.
Nov.	2010	LDS Antenna received the Innovative Product Award from Hsinchu Science Park.
Dec.	2010	Recognized in the 2010 Asiamoney Corporate Governance Poll for: Overall Best for Investor Relations across Asia and other awards.
April	2011	Passed IECQ QC080000 (Hazardous Substance Process Management) and ANSI/ESD S 20.20 (Electronic Discharge Control Program) certification.
June	2011	Published first edition of Corporate Social Responsibility report.
Aug.	2011	Smart Shortcut hand-held interface received a red dot award for communication design.
Aug.	2011	Awarded National HRD InnoPrize.
Sept.	2011	Capital increase of NT$136,161,000 through capitalization of profits. Paid-in capital amounted to NT$2,860,766,000.
Sept.	2011	Automotive BSD radar system commenced shipping.
Sept.	2011	Awarded Creation Award in the 2011 National Invention & Creation Awards.
Oct.	2011	USA Irvine Technical Service Center commences operations.
Dec.	2011	Awarded Hsinchu Science Park Science Park Innovative Product Award & R&D Accomplishment Award.

3. Operational Highlights

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Department Functions

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

3.2 Board of Directors, Supervisors and Key Managers Background Information

3.2.1 Information of Board of Directors (April 14, 2012)

Title	Name	Date Elected	Term	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Chairman	Wistron Co. (Representative: Simon Lin)	06/17/2011	3	70,261,904	25.80%	73,773,206	25.51%	0	0%	Bachelors	Chairman & CSO of Wistron NeWeb Chairman & CEO of Wistron Chairman & President of AOI Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Corp. Director of Keen High Independent Director of TPKH	-	-	-
Director	Wistron Co. (Representative: Frank F.C. Lin)	06/17/2011	3							Bachelors	Chief Staff Officer of Wistron Director of AOI Supervisor of Wistron ITS Director of Changing Chairman of WiseCap . Chairman of WLB Chairman of AnexTEK Supervisor of Formosoft Director of IP Fund Two Supervisor of aEnrich Technology Corp. Supervisor of Nolvate Advanced	-	-	-
Director	Haydn Hsieh	06/17/2011	3	4,335,416	1.59%	4,552,076	1.57%	69,994	0.02%	Bachelors	Vice Chairman & CEO of Wistron NeWeb Director of Wistron Director of AOI Director of aEnrich Technology Corp. Independent Director of Raydium	-	-	-

Title	Name	Date Elected	Term	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Director	Jeffrey Gau	06/17/2011	3	1,584,818	0.58%	1,739,018	0.6%	323,126	0.11%	PhD	President of Wistron NeWeb	-	-	-
Director	Max Wu	06/17/2011	3	0	0%	0	0%	0	0%	Bachelors	Chairman of Birch Venture Capital Chairman of Hua Nan Assets Management Chairman of Integrated System Solution (ISSC) Director of Novatek Independent Director of WiseCap Ltd. Director of MicroBase Technology Director of Glory Praise Photronics Director of e-Ray Optoelectronics Technology	-	-	-
Director (Note 2)	Philip Peng	06/17/2011	3	100,945	0.04%	105,989	0.04%	0	0%	Masters	President of iD SoftCapital Inc. Director of Acer Supervisor of Wistron Chairman of Smart Capital Supervisor of AOI Director of Wistron ITS Director of Chung Hwa Investment	-	-	-
Independent Director	Morgan Chang	06/17/2011	3	0	0%	0	0%	8,492	0%	Bachelors	CEO of Kuang Chien Computer Supervisor of Great Eastern Resins (GRECO) Vice chairman of Manufacturers Association of Taichung Industrial Park	-	-	-
Independent Director (Note 3)	Robert Hung	06/17/2011	3	0	0%	0	0%	0	0%	Masters	Director of Coretronic Corp. Director of Optoma Technology	-	-	-

Title	Name	Date Elected	Term	Shares Held When Elected		Current Shareholding		Shares Held by Spouse & Minors		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisor		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Number
Independent Director	S.T. Peng	06/17/2011	3	0	0%	0	0%	0	0%	PhD	Chair and Professor of Yuan Ze University Communication Research Center (YZU CRC) Director of NCTU Ting-Shiun Telecommunication Development and Education Foundation Supervisor of SpringSoft Education Foundation	-	-	-
Supervisor (Note 4)	WiseCap Ltd.	06/17/2011	3	1,518,307	0.75%							-	-	-

Note 1: Starting from the General Shareholders' Meeting on June 17th, 2011, Supervisors have been replaced by an Audit Committee.

Note 2: Mr. Philip Peng's position was changed to Director from Supervisor on June 17th, 2011.

Note 3: Mr. Robert Hung was named Independent Director on June 17th, 2011.

Note 4: WiseCap Ltd. resigned at the General Shareholders' Meeting on June 17th, 2011.

3.2.2 Major Institutional Shareholders (April 23, 2012)

Name	Name of Major Shareholders	Percentage (%)
Wistron Corporation	Cathay Life Insurance Co., Ltd.	2.82%
	JP Morgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	2.68%
	Chunghwa Post Co., Ltd	2.22%
	The Master Trust Bank of Japan, Ltd. as trustee of Eastspring Investments Asia Oceania High Dividend Equity Mother Fund	2.14%
	Acer Incorporated	2.07%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.72%
	GMO Emerging Markets Fund	1.64%
	JP Morgan Chase Bank N.A. Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	1.52%
	Public Service Pension Fund	1.51%
	Wistron Corp. Global Depositary Receipts	1.42%

3.2.3 Major Shareholders (April 17, 2012)

Name	Major Shareholders	Percentage (%)
Chunghwa Post Co., Ltd	Ministry of Transportation and Communications	100%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings	100%
Acer Incorporated	Magellan	3.00%
	Stan Shih	2.64%
	Yen, Wei	2.63%
	Hung Rouan Investment Corp.	2.39%
	OMGEST GROWTH PLC	2.02%
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.66%
	Labor Insurance Fund	1.65%
	Acer GDR	1.32%
	Public Service Pension Fund	1.12%

3.2.4 Information on Key Managers (April 14, 2012)

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Chairman & CSO	Simon Lin	11/26/1996	1,999,189	0.69%	21,012	0.01%	Bachelors	Chairman & CSO of Wistron NeWeb Chairman & CEO of Wistron Chairman & President of AOI Chairman of Wistron ITS Chairman of Changing Director of Gamania Independent Director of TICP Independent Director of Neo Solar Power Director of Keen High Independent Director of TPKH	-	-	-
Vice Chairman & CEO	Haydn Hsieh	06/14/1990	4,552,076	1.57%	69,994	0.02%	Bachelors	Vice Chairman & CEO of Wistron NeWeb Director of Wistron Director of AOI Director of aEnrich Technology Independent Director of Raydium	-	-	-
President	Jeffrey Gau	01/01/2008	1,739,018	0.60%	323,126	0.11%	PhD	-	-	-	-
Vice President	Larry Lee	08/16/2005	377,485	0.13%	0	0%	Masters	-	-	-	-
Vice President	KH Cheng (Note 1)	08/16/2005	129,664	0.05%	96,364	0.03%	Masters	-	-	-	-
Vice President	Fayu Chen	04/07/2008	256,448	0.09%	812	0%	Masters	-	-	-	-
Vice President	Jack Liu (Note 2)	07/19/2010	31,499	0.01%	0	0%	Bachelors	-	-	-	-
Vice President	Johnson Hsu (Note 2)	2/5/2010	191,886	0.07%	0	0%	Masters	-	-	-	-
Chief Finance Officer	Jona Song	01/01/2002	554,160	0.19%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Jasmine Huang	08/16/2005	293,340	0.10%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Ray Lee	02/01/2006	241,238	0.08%	0	0%	Bachelors	-	-	-	-

Title	Name	Date of Assuming Office	Shares Held Directly		Shares Held by Spouse & Minor		Education	Selected Current Positions	Spouse or relative holding a position as Key Manager, Director or Supervisors		
			Number	Percentage	Number	Percentage			Title	Name	Number
Associate Vice President	Kevin Chiang	04/07/2008	213,141	0.07%	1,322	0%	Masters	-	-	-	-
Associate Vice President	Jeff Chang	08/05/2009	71,749	0.02%	0	0%	Bachelors	-	-	-	-
Associate Vice President	Chris Hwang	02/05/2010	76,171	0.03%	0	0%	Masters	-	-	-	-
Associate Vice President	Bird Huang	02/05/2010	79,671	0.03%	0	0%	Masters	-	-	-	-
Associate Vice President	TJ Chen	02/05/2010	89,846	0.03%	2,173	0%	Masters	-	-	-	-
Associate Vice President	Carlie Wang (Note 3)	7/27/2010	23,674	0.01%	0	0%	Masters	-	-	-	-
Associate Vice President	Jason Chen	12/05/2010	46,034	0.02%	0	0%	Masters	-	-	-	-
Associate Vice President	Tim Chen (Note 4)	6/15/2011	2	0%	0	0%	Masters	-	-	-	-
Associate Vice President	Apollo Shyong (Note 5)	4/5/2012	120,991	0.04%	0	0%	Masters	-	-	-	-
Associate Vice President	Michael SY Chen (Note 6)	4/5/2012	0	0%	0	0%	Masters	-	-	-	-
General Plant Manager	Andrew Wong	12/01/2009	39,000	0.01%	0	0%	Bachelors	-	-	-	-

Note 1: Mr. KH Cheng resigned the vice president position on October 26th, 2011.
Note 2: Mr. Johnson Hsu was named vice president position on August 18th, 2011.
Note 3: Mr. Carlie Wang resigned the associate vice president position on October 5th, 2011.
Note 4: Mr. Tim Chen was named associate vice president position on June 15th, 2011.
Note 5: Mr. Apollo Shyong was named associate vice president on April 5th, 2012.
Note 6: Mr. Michael SY Chen was named associate vice president on April 5th, 2012.

3.3 Corporate Governance

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

Items	Implementation	Discrepancy between the corporate governance principles implemented by the Company and government principles, and the reason for the discrepancy
A. Ownership structure and shareholders' equity		
a. Handling of shareholders' proposals and disputes	a. The Company has designated the Shareholders Service Office to handle shareholders' proposals and disputes.	No discrepancy
b. Search for information on the identities of major shareholders and their ultimate controlling persons	b. The Company maintains information on the identities of major shareholders and their ultimate controlling persons. The shareholders′ list is available and is disclosed regularly according to government regulations.	No discrepancy
c. Establishment of a risk control mechanism and firewalls with affiliates	c. The Company has established the appropriate risk control mechanisms and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, loaning of funds and the rules governing acquisition and disposition of assets etc.	No discrepancy
B. Composition and duties of Board of Directors		
a. Election of independent directors.	a. The Company has set three seats for Independent Directors on the Board.	No discrepancy
b. Regular evaluation of independence of CPA	b. The CPA is confirmed after evaluation and discussion of the Board.	No discrepancy

Items	Implementation	Discrepancy between the corporate governance principles implemented by the Company and government principles, and the reason for the discrepancy
C. Establishment of communication channels with stakeholders	The Company has established the appropriate communication channels with suppliers, customers, banks, investors and other stakeholders.	No discrepancy
D. Disclosure of information a. Utilization of website to disclose finance, operational and corporate information b. Other means of disclosing information	a. The Company has set up a website with information on finance and operations. Related information is also disclosed on the Market Observation Post System according to government regulations. b. The Company has one chief spokesman and one acting spokesman and has also designated a team responsible for gathering and disclosing information. c. The Company has established procedures to control the disclosure of material information and to prevent insider trading.	No discrepancy No discrepancy
E. Establishment and enforcement of an Audit Committee and other functional committees	a. The Company has set up an Audit Committee within the Board. b. A remuneration committee was set up on Oct. 26, 2011.	No discrepancy
F. If your Company has implemented corporate governance principles according to the Principles, please identify any discrepancy with the Principles: ● Overall, the Company follows government principles.		
G. Other important discourses that help you to understand the enforcement of corporate governance of Company: ● The recruitment policies of the Company conform to government regulations. All employees have equal rights and development opportunities in the Company. ● The Company signs purchasing contracts with suppliers to protect mutual rights. ● The Company maintains stable and close relationships with customers to obtain stable and reasonable profits. ● The Company has purchased liability insurance for Directors and other key employees.		

3.3.2 Corporate Social Responsibility

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
1. Exercise of Corporate Governance (1) The company declares its corporate social responsibility policy and examines the results of implementation. (2) The company establishes exclusively (or concurrently) dedicated units in charge of proposing and enforcing CSR policy. (3) The company organizes regular training on business ethics and promotion of issues prescribed in the preceding Article for directors, supervisors and employees, and incorporates the foregoing into its employee performance	**Implementation of Social Responsibility** WNC established the following Corporate Social Responsibility objectives in 2011 in order to strengthen its long-term goal of sustainable corporate development. ■ Maintain steady corporate growth ■ Establishment of a green supply chain ■ Create an outstanding employee training environment ■ Assist in education of disadvantaged school children WNC's Marketing Center is in charge of coordinating CSR and publication of the annual CSR report. Execution of the various CSR policy items is the responsibility of the relevant responsible department. Through a half-year performance appraisal system, supervisors from each unit must review the effectiveness of CSR policy implementation. Further goals are set as necessary for future development and take effect after approval by the President. **Ethics Education** Ever since WNC was founded, it has implemented its internal regulations in accordance with applicable national laws in order to guide its employees, managers and the Board of Directors. Further adjustments to ensure internal compliance with amendments to regulations by the competent authorities are carried out in accordance with an understanding of the full scope of domestic/international investments and sales trends. Operating policies such as environmental protection, industrial safety, health policy, anti-discrimination, honesty, conflict of interest, information safety and public welfare assistance are all included in the field of corporate compliance. All WNC subsidiaries and affiliates are required to follow the same corporate compliance guidelines. WNC clearly states that employees must uphold high ethical standards	None

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
appraisal system to establish a clear and effective reward and discipline system.	and abide by norms of integrity while in execution of their daily duties to protect company credibility. WNC pays close attention to every change in domestic/international policies and regulations and amends related risk control policies accordingly.	
2. Fostering a Sustainable Environment (1) The company endeavors to utilize all resources efficiently and uses renewable materials which have a low impact on the environment. (2) The company establishes appropriate environmental management systems based on the characteristics of different industries. (3) The company establishes dedicated units or assigns dedicated personnel for environment management.	**Green Product Management** WNC and all its employees strive to fulfill environmental protection responsibilities by observing environmental regulations, establishing a green supply chain and promoting environmental concepts in both employees and suppliers. WNC's business belongs to a technology-intensive industry of research and development. Since our manufacturing processes only extend to SMT (Surface Mount Technology), precision assembly, testing, R&D, etc., waste gases, waste water, undesirable noise, toxic substances or other pollutants are relatively rarely generated. In addition, with the exception of CO2 exhausted due to power consumption, there are no other air pollutants generated, such as NOX, SOX. As for disposal of waste materials, WNC hires only specialist operators recognized by Taiwan's EPA and makes related declarations online as required to ensure that no environmental contamination occurs. WNC implements all applicable pollution prevention tasks in a positive cycle under its well-prepared management system and regularly inspects its waste treatment plant to ensure proper operation. Furthermore, it continuously carries out a systematic operational management scheme to improve environmental health and safety. WNC received ISO 14001:2004 Environment Management System Certification in November, 2005. WNC's green management will continue focusing on the inclusion of green and environmentally-friendly concepts in product design, development and manufacturing processes. At the same time, WNC applies environmental protection awareness and measures to the daily lives and work habits of its employees. It strives to promote green concepts to all of its employees as well as their family members and friends, so as to maintain and protect the truth,	None

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(4) The company monitors the impact of climate change on its operations and establishes strategies for energy conservation and carbon and greenhouse gas reduction.	goodness and beauty of the world we live in. In response to the requirements set by international environmental protection directives and standards for restricted usage of environmental hazardous substances from specific customers, WNC has established a Quality System and Green Product Management Department to enforce its green policies. According to directives (such as RoHS) and customer requirements, WNC has set up a control list of hazardous substances, managed materials within factories and raw materials used in manufacturing processes on the supplier side and formulated standardized green procurement procedures. For products constrained by relevant directives or by customers themselves, WNC specifies management procedures, implements lead-free processes for reliable and rigorous measurement, and monitors environmentally hazardous substances in raw materials and products from product design through the entire production process. XRF equipment is also utilized for inspection of incoming material. For low carbon product development and overall greenhouse gas emissions control, WNC implements management systems for green products and manufacturing processes. Related standards are specified for lowering overall carbon output and monitoring greenhouse gas emissions and energy efficiency. Suppliers are also included in the management system. WNC periodically audits supplier performance on green policy implementation. In 2009 WNC completed training on the Directive for Eco-design Requirements for Energy-using Products (EuP) led by the IDB (Industrial Development Bureau) of the MEA (Ministry of Economic Affairs). WNC has made the pursuit of eco-design a fundamental requirement of its design processes and considers environmental protection factors in the earliest stages of product design and development. With product LCA (life cycle assessment) principles at the forefront, WNC identifies eco-design parameters such as hazardous substance restrictions, energy efficiency, recycling and reuse, and environmental impact. Meanwhile, WNC raises supplier side requirements to ensure that design components meet the eco-design requirements of energy-using products as specified by WNC.	

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Energy Efficient Office In 2011 in order to encourage WNC employees to practice a low-carbon life style an activity was hosted in support of Earth Day (April 22) including a sale of second hand goods for charity. In addition parking spaces with charging facilities for electric scooters were designated in the parking block and use of only recycled tissue paper in bathrooms was adopted. In terms of pursuing water and energy-saving measures WNC has adopted the following measures: Water conservation: ■ Use of cisterns to recycle water. The total amount of recycled water each year is around 15,347 tons, air-conditioned chiller water is around 13,744 tons and recycled rainwater is around 1,603 tons. The recycled water is used for the air-conditioner chiller water tower, plant watering and toilet cleaning on each floor. ■ Use of water-permeable ground to plant plants and grass, use of planting bricks to replace normal bricks on the u-turn floor for cars and parking. These measures increase greening and strengthen surface drainage. ■ Use of induction taps in toilets, and setting of water taps in tea rooms to the minimum water discharge level. Energy conservation: ■ Chiller uses a heat recycling system. ■ Chiller water tower and fans installed with temperature control and frequency conversion features. ■ Use of tunneling to reduce external temperature to lessen air-conditioning loading. ■ Use of external air-conditioning to reduce room temperatures in winter. ■ Chiller water temperatures raised for electricity savings. ■ Auto on/off for chiller and fan according to indoor loading. ■ Air-conditioning in the office is set to a constant temperature.	

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	■ Air-conditioning temperature maintained at 26±2 in summer. WNC saves up to 800,000 kW/h per year by raising temperatures by 1 degree. ■ Lighting is only used in active sections of the production line saving up to 31,710 kW/h every year. ■ Office and factory lighting designs are compatible with CNS standards. ■ WNC signage illumination powered by wind generation. ■ Use of time switch and induction lighting for parking lot illumination. Waste reduction: ■ Promotion of paper-free office programs and encouragement of employees to recycle resources and reduce waste. ■ Use of dissolvable short-fiber toilet paper. ■ Distribution of environmentally-friendly eating utensils and bags to WNC employees. Low carbon lifestyle promotion: ■ Use of public areas to post energy-saving and waste reduction notices. ■ Alternating elevator floor control to reduce power consumption and encouragement of employees to use stairways by holding stair-climbing activities. ■ Hosting of related activities in celebration of Earth Day.	
3. Maintaining Social Welfare (1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place	**Employment** Employees are the most important assets of any company. WNC follows corporate recruitment principles of "respect for human rights" and "the right person in the right position", as well as ensuring that the entire recruitment process conforms to labor regulations and gender equality guidelines in employment law. Professional ability is the key factor in our recruitment processes. We will not consider an individual's gender, age, ethnic background, religion, or political affiliation as an advantage or drawback during evaluation. All participants have an equal opportunity to display their capabilities in an open and transparent recruitment process.	None

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appropriate management methods and procedures. (2) The company provides a safe and healthy work environment for its employees, and organizes safety and health training on a regular basis. (3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for handling consumer complaints. (4)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (5) The company, through commercial activities, non-cash property	Personnel from the recruitment affairs unit also regularly participate in diverse training programs on interview skills and the use of specialized evaluation tools. Besides participating in Taiwan's Labor Insurance and National Health Insurance, and contributing employee wages to pension accounts according to Articles 55 and 56 of the Labor Standards Act, all full time WNC employees participate in a group insurance plan, which gives employees and their families added protection. All regular and contract employees also enjoy longer annual leave than specified in the Labor Standards Act. For the benefit of employees on long-term overseas assignment extra benefits or services are also available, which include overseas allowances, travel/meal allowances, housing allowances for family members traveling with the employee abroad, education allowances for their children, plane tickets for family members, periodic meetings/discussions, and airport transfer services. **Environmental, Safety & Health (ESH) Management** We closely follow government regulations regarding environment, safety and health according to the ESH management policies below: ■ Conformance to government regulations, ensuring that environmental protection measures are in-step with global ESH trends. ■ Provision of a safe and healthy working environment for all employees. ■ Continuation of efforts to prevent pollution and occupational injuries and illness. ■ All employees are urged to design and manufacture high quality green products that meet customer needs. Since its establishment in 1996, WNC has worked to establish a safe and healthy working environment. Besides establishing ESH policies, WNC pays great attention to employees' education and to the execution of our health and safety regulations. An ESH examination committee has been set up to monitor the ESH management system, as well as to examine	

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endowments, volunteer service or other free professional services, participates in community development and charitable events.	environmental aspects and assess ESH risks according to PDCA (plan-do-check-act) principles. ESH certification obtained by WNC includes: ■ 2009 - Healthy Workplace Accreditation Certification from the Bureau of Health Promotion ■ 2008 - OHSAS 18001:2007 certification ■ 2005 - ISO 140001:2004 certification Improvement of occupational health and safety relies on a comprehensive management system. WNC emphasizes and carries out numerous risk evaluations and controls, periodically manages the changes that are related to occupational safety and health, and controls the impact that each change may cause. Internal and external audits are held every year to ensure that the occupational safety and health system is functioning well and is improving. To effectively maintain workplace safety and minimize employee health hazards, we evaluate workplace conditions periodically according to government laws regarding the monitoring of the workplace environment. The target items we measure include lead, organic solvents, illumination, carbon dioxide and noise. The carbon dioxide monitoring system is installed all around office and factory areas. Employees can check concentrations of indoor carbon dioxide anytime. To quicken reaction times to emergencies, all WNC employees are organized into fire-prevention teams on a departmental basis. We also hold transport and safety forums, health forums, health enhancement activities, occupational safety and health training and annual fire-prevention training to help colleagues have a better awareness of personal health care and occupational safety concerns. **Customer Services** To strengthen customer trust and satisfaction with WNC's products and services, WNC is dedicated to reinforcing its industry competitiveness and market share. The customer service department implements an assessment mechanism to measure customer levels of satisfaction, surveying and analyzing customer feedback regarding product quality, technology, lead time and	

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	other aspects. Analysis of reasons for customer dissatisfaction is sent to relevant units for execution of improvement plans and follow-up on results. This is one of the primary reasons WNC consistently receives awards, recognition and praise from its customers. At the same time, WNC continuously advances promotion and verification measures to improve and stabilize quality systems. After obtaining ISO 9001 and ISO/TS 16949 certification in 2004 and 2005 respectively, WNC has continued to update its certifications annually based on the latest standards, so as to maintain and improve operational effectiveness of its quality systems. Beginning in 2006, the Lean Six Sigma (LSS) project was introduced. Taking zero defects as its goal, the system teaches WNC employees problem-solving concepts, procedures and tools to improve operational flows including product design, materials management, production procedures, operations management, administration management, capital management, project management, etc. This, in turn, assists in improvement of overall operational standards and raises WNC's competitiveness and customer satisfaction. **Green Supply Chain** WNC not only places great emphasis on suppliers' capabilities in product quality, cost reduction, delivery and technology, but also on their green products and social responsibility. To provide stakeholders with good quality products and services, WNC takes supplier performance and execution of their internal quality management systems as a primary evaluation indicator during the supplier authentication process. It requires suppliers to sign and follow WNC's Standard for Restricted Usage of Environmental Hazardous Substances and other international regulations including RoHS, WEEE, REACH, ErP, Battery, etc. Starting from 2007, suppliers are also required to sign a quality agreement that includes WNC's green management policies. As of 2011, 937 suppliers have signed this quality agreement and WNC will continue to have cooperating suppliers sign it. This process ensures WNC products conform to customer and regulatory requirements for restricted substances and helps WNC reach its goal of a totally green supply chain. Furthermore, WNC enforces standards for control of environmental hazardous substances in its	

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	incoming material inspection flow. Raw materials that don't comply with standards will be defined as nonconforming products and WNC will require suppliers to adopt corrective and preventive measures to prevent repeat occurrences. WNC does not directly purchase metals as raw materials, and most of our suppliers do not have a direct purchasing relationship with mining companies either. However, to fulfill its social responsibilities and play a positive role in guidance of suppliers, WNC has announced that it will not handle metals and minerals from regions where there is armed conflict, illegal mining or inferior working conditions. Since 2010, WNC has required a total of 68 suppliers to sign letters of commitment saying they do not use and have never used conflict minerals based on level of risk involved in obtaining raw materials. In order to establish its Green Supply Chain, WNC stringently requires suppliers to sign a quality agreement in compliance with its Standards on Restricted Usage of Environmentally Hazardous Substances. When necessary, suppliers are required to provide test reports from an impartial third party. WNC implements source management regarding suppliers' manufacturing processes, green product design and usage of environmentally hazardous substances. From 2006 to 2007, WNC developed an Internet Supplier Portal to ensure that information passing between WNC and its suppliers is timely and effectively communicated, collected and integrated. Meanwhile, it assists in reducing wastage of time and resources caused by paper trails. WNC hopes that it can learn and develop together with suppliers, and realize many mutual achievements in efficiency. ■ E-Procurement system: With an Internet Supplier Portal and a JIT system, material demands are relayed immediately and transparently to suppliers so they can respond to changes in demand as early as possible. In addition to lowering the risks resulting from supply chain disruption or excess inventory of raw materials, this system also further monitors delivery status and payment conditions. The environmental regulations and directives that suppliers should comply with are highlighted in the portal home page, and are sent to corresponding suppliers together with the order. In this way, suppliers are urged	

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	to ensure that their products comply with all relevant environmental standards on prohibited substances and RoHS specifications, so as to promote the sustainable development concept of maintaining a proper balance between economic growth and environmental protection. ■ E-Kanban system: The e-Kanban system effectively improves quality control efficiency while working with suppliers. If there is a lack of a specific raw material or a manufacturing bottleneck, WNC and its suppliers can hold discussions to resolve issues as rapidly as possible. To enhance quality of suppliers, WNC carries out quarterly vendor performance evaluations to assess overall performance based on benchmark indicators of quality, price competitiveness, lead time, flexibility, service and so on. Through investigation and on-site audits, if any non-compliance with WNC's regulations is discovered, WNC will work with suppliers to draw up an improvement plan. To ensure that improvement plans can be carried out, in addition to setting up definite goals and schedules for improvement, WNC also assigns specialist personnel to provide suppliers with assistance, training and supervision. Besides regular performance evaluations, WNC holds quarterly business review meetings with upper management of suppliers. They also keep abreast of industry trends so both sides can fully grasp market variations and develop products and services that meet market demands. Developing long-term partnerships with suppliers has always been a very important policy of WNC. Suppliers play an important role in raising sustainable competitiveness in any corporation. WNC gives awards and expresses gratitude to suppliers for their outstanding performance and special contributions in its annual supplier conference. WNC emphasizes the importance of mutual learning with suppliers so that, in addition to exercise of its own social responsibilities it can also look forward to observing suppliers meet their own obligations to society. In 2012 WNC plans to commence a CSR supplier survey program and have suppliers sign back a Code of Conduct based on the EICC's Electronic Industry Code of Conduct. Following on from this WNC will adopt a survey format to	

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	understand performance of suppliers in the CSR categories of labor rights, work environment, environmental protection, company management and corporate ethics. **Contractor Safety Management** In order to ensure safety of contractors and employees and maintain safety of factory areas and to observe the tenets of labor health and safety regulations, WNC has formulated a set of Contractor Environment Health & Safety procedures. Before commencing work contractors are required to sign a Contractor On-site Work Safety Undertaking, and complete training in on-site health and safety hazards. Once work commences contractors must receive periodic instruction and review under WNC's Contractor EHS management system. With any work with high inherent danger WNC has additionally formulated a dangerous works permission management procedure. Currently, with regards to special work items additional measures are in place which identify major management items such as hot work, high elevation operations, lifting operations, confined spaces operations, and any other operations with more immediate danger. These require additional construction applications and according to the different operational characteristics of the work, adoption of applicable safety protective measures and control procedures. **Social Participation** In 2011 WNC has continued to commit itself to its four major social care programs of financial and manpower support to youth professional development, care of disadvantaged school children, assistance to charitable organizations and collection of disaster relief funds. Beginning in April, 2009, WNC kicked off its social care program under the name WNC Social Care Assistance. In November, 2010, the company completed setting up of a Social Care Assistance Platform within its internal website, with the purpose of providing a convenient channel for employees to obtain social care information and to make donations and offer assistance on-line.	

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	WNC actively takes part in public welfare fundraising activities by initiating internal donation activities in response to major disasters, encouraging employees to take part in community assistance programs and providing care to sick employees and condolences, financial assistance, legal advice and funeral arrangement assistance to family of deceased employees. According to our data, from 2009 to 2011, apart from total corporate donations of NT$775,200, WNC employees made donations a total of 3,712 times for a total of NT$5,658,100. Donation subjects were an employee who passed away, another who died in an accident and an employee whose spouse passed away as well as the regular After-School Volunteer Club of National Tsing Hua University, the Science Promotion Club, the Hsinchu branch of the T.F.C.F, and the Liugui Orphanage. To the tune of NT$200,000 every semester, WNC provides long-term subsidization of the After-School Volunteer Club of National Tsing Hua University, encouraging its members to apply their knowledge to serve and care for young people. Through the process of composing proposals in February and August every year based on the actual needs of students, club members learn from real experience how to plan an after-school program, to properly allocate resources, to perform benefit assessments and to evaluate performance. This after-school program targets those in need of assistance as defined by the Department of Social Welfare, which includes elementary and junior high school students that are raised by a single parent or grandparents, or from families with low income, family violence or other special backgrounds. The program provides children with homework guidance, course review, daily life problem solving and personality guidance. One tutor usually takes care of the same children, which may be on the basis of one-on-one or one-on-two, to effectively improve the self-esteem and study performance of those children. This close relationship is expected to allow early identification to teachers and social workers of problem children and provide timely and appropriate care of the children. In 2010, a “volunteers’ time” program was begun, encouraging WNC employees to join the after-school programs, providing disadvantaged children and teenagers with more essential assistance. In September 2010, the Science Promotion Club of	

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	National Tsing Hua University was also included in WNC's subsidization program with annual subsidies of NT$400,000 according to the proposals of the club. The club also provides school students that live in outlying areas of Hsinchu with course guidance and the promotion of science education as their primary missions, providing those kids with more diversified learning options and encouraging them to experience the interesting and practical science knowledge that can be gained from daily life.	
4. Enhancing Information Disclosure (1) Methods of disclosure of relevant and reliable information relating to corporate social responsibility. (2) The company produces a CSR report that discloses status of CSR policy implementation.	**Information Disclosure** ■ Company Website Basic information of the company, product introductions, CSR, activities, positions vacant, and financial performance, after verification by the manager of the relevant unit is posted on WNC's website, http://www.wnc.com.tw. The website is a resource for all related stakeholders and also offers corresponding contact windows to obtain more comprehensive information and services. ■ Activities In addition to participating in global professional exhibitions and seminars to introduce new technologies and products, WNC also attends investor conferences held by investment consultants, dealers and institutional investors to share industry information. ■ News Release WNC utilizes appropriate channels and media to announce important information such as exhibitions, awards, financial up-dates and company operations. **CSR (Corporate Social Responsibility) Report** WNC's first CSR report describes the results of WNC's more than 10 years of operations since its establishment through expansion of its business scope, and the combining of all Taiwan based factories and offices into WNC's current headquarters in January, 2010. It describes its operating results as well as the results of its Environmental, Safety and Health (ESH) programs in	None

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	combination with the results of WNC's social contributions. It allows all stakeholders to understand that, apart from putting much effort into steady corporate and operational growth, WNC also continues to devote itself to the environment and to its social obligations. WNC's Marketing Center is responsible for production of the CSR report. The first CSR report was published in June, 2011. A revised second edition of this report is currently being prepared based on the G3 guidelines of the GRI (Global Report Initiative), which describes disclosure standards of related economic, environmental and social performance indexes. The 2011 CSR report is scheduled to be released in June 2012. This report covers the achievements of WNC's Hsinchu Science Park based headquarters in regard to operations, ESH management and exercise of our social obligations throughout the year 2011. It reviews and explains the issues that stakeholders are concerned with, which includes corporate governance, care for employees, green quality management, supply chain management, environmental protection and social participation.	

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

Implementation Status:
During the beginning phases of CSR standards development, WNC announced its goals and primary efforts in the Enhance Information Transparency and Strengthen Communication with Stakeholders initiative, hence the review of CSR assets and development in a CSR report has become a primary duty of WNC. Formulation and implementation of WNC's CSR rules and policies will be our next major focus.
After combining all Taiwan based factories and offices and moving into its new headquarters facility at the beginning of 2010, we have not only reviewed and modified resource allocation and operational strategies, but also reviewed results and input from resources in previous years. We have identified communication channels with stakeholders to be a primary area for improvement. Based on the CSR strategy roadmap, WNC is experiencing a "regulations adaption" and "management implementation" adjustment period. In response to an increasingly aggressive CSR environment and a proliferation of implementation rules, we have set our short-term, mid-term and long-term goals as shown below:

- Short-term goals: Enhance information transparency and strengthen communication with stakeholders
  - CSR assets review: Review all CSR implementation results at the end of 2011.

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— CSR report production: Collate review results and arrange them in the annual CSR report. Pursue constant improvement until all GRI G3 regulations are met. — CSR report disclosure: Publish the CSR report on the company website. Issue press releases regarding responses to environmental and social responsibilities. ■ Mid-term goals: In combination with operation strategy and core competencies, organize CSR policies and standards. Define and enforce social responsibilities and improve CSR reporting. — CSR education: Ensure that the management team and all employees have a clear understanding of CSR regulations and confirm WNC's tasks and roles. — Convene an implementation unit: Set up appropriate implementation strategies and rules according to company expectations. Define a performance index for each item. — Confirmation and implementation: Enforce applicable rules. All employees and supervisors shall share responsibility for implementing the regulations. In particular, upper level managers shall recognize the importance of implementing CSR and fully empower their staff to achieve CSR objectives. ■ Long-term goals: Continuous improvement of the CSR report and implementation of regulations — Periodical revision of the CSR report: CSR report revisions shall be regarded as a routine matter. A designated team shall modify the report annually according to related regulations within the designated time period. — Improvement plan: Review implementation results and performance index every year. Provide improvement plans and methods for the next year.		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, social contributions, service to society, social and public welfare, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and status of implementation): Through stakeholder identification, WNC collects all related CSR information in a report and publishes all the information via the following methods: ■ Activities — Investors' Conference — Shareholders' Meeting — Supplier Conference ■ Website — Company Website		

Item	Implementation Status	Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
— Internal Portal — Supplier Portal ■ Published Documents — CSR (Corporate Social Responsibility) Report — Annual Report — News Releases — Board Meeting Announcements — Gardener Relationship Improvement Committee Information — Employee Welfare Committee Information — WNC Employees e-magazine		
7. If products or corporate social responsibility reports have been verified by external institutions, it should be stated below: **Management System Certification** ■ 2004; obtained ISO 9001 Certification. System version updated annually to maintain and improve related quality system operations. ■ 2005; obtained ISO/TS 16949 Certification. System version updated annually to maintain and improve related quality system operations. ■ 2005; obtained ISO 140001:2004 Certification. Continual improvement is pursued to achieve a better balance between benefits and interests and to lower environmental impact. ■ 2008; obtained OHSAS 18001:2007 Certification: to lower occupational health and safety risks, as well as to prevent accidents and maintain a safe and healthy working environment. ■ 2009; Healthy Workplace Accreditation Certification: issued by the Bureau of Health Promotion. ■ 2010; obtained Taiwan Training Quality System (TTQS) certification: WNC certified as an outstanding company for training quality in the Taoyuan, Hsinchu, Miaoli area. ■ 2011; obtained IECQ QC080000 certification and passed ANSI/ESD S20.20-2007. **Product Certification:** To provide stakeholders with high quality products and services, all WNC product materials and processes meet customer requirements and conform to international communication standards and environmental protection regulations, such as FCC, Wi-Fi, RoHS, WEEE, REACH, Battery, etc. Lead-free and halogen-free processes are also implemented. When a certification requirement is raised by a customer, WNC sends the product for appropriate tests and obtains prompt certification.		

4. Overview of Business Operations

4.1 Business Content

I. Business Scope

1. Main Business Services

CC01060 Wired communication equipment and apparatus manufacturing
CC01070 Wireless communication devices and equipment manufacturing
CC01080 Electronic parts and components manufacturing
CC01101 Restricted telecommunication radio frequency equipment and materials manufacturing
F401010 International trade business
F401021 Restricted telecommunication radio frequency equipment and materials import business
F401030 Manufacturing and exporting business
F401041 Manufacturing and exporting business

Research, development, manufacturing and sales of products as below:
(1) Satellite communication product series
(2) Mobile and portable communication product series
(3) Import/export business of products in categories above

2. Revenue Distribution

Revenue Distribution of Products in Categories

Unit: Thousand NT$

Item \ Year	2011	
	Amount	**Percentage (%)**
Wireless communications products	30,186,102	94.65
Other	1,705,889	5.35
Total	31,891,991	100.00

3. Current products

(1) Satellite communications product series

A. DTH TV receiver antenna system
B. Single cable multi output outdoor receiver systems and derivative products
C. Satellite Radio receiver systems
D. HD Radio receiver systems
E. Automotive safety radar

(2) Mobile and handheld communication product series

A. 3G / 4G wireless network communications, audio equipment and modules
B. LDS antenna for mobile devices
C. RFID product series
D. Co-axial cable bridge product series
E. Digital home network communications, energy management products
F. Automotive 3G / Wi-Fi modules

4. New products under development

(1) Satellite communications product series

A. Automotive safety radar product series
B. Multi output outdoor receiver system product series
C. HD satellite receiver system product series
D. Satellite Broadband transceivers
E. Optical LNBF

(2) Mobile and handheld communications product series

A. 4G Broadband Network AP
B. Enterprise wireless network routers
C. Smart IPTV STB
D. Home digital AV internet adapters

II. Industry Overview

1. Industry Development Trends and Current Market Status

In 2011, under the influence of unstable financial conditions in America and Europe, market dynamics tended to be conservative but multi-network convergence and cloud network services have continued to receive heavy attention. Demand for bandwidth and high transfer speeds has pushed demand for 4G. WNC has concentrated its attention on wireless, broadband and multimedia domains for many years. This product orientation matches well with industry trends as can be seen in our outstanding performance in 2011. In the following section we describe the current status of markets that WNC is involved in.

(1) With regards to satellite TV markets, while North America and Western Europe once dominated the global DTH (Direct to Home) satellite TV service market, in 2011 the Asian market has seen rapid growth while the South American market has been developing gradually. These two emerging regions are seen as having the highest growth potential. In the North American market, total pay TV users have surpassed 100 million, and DTH subscribers have exceeded 33 million. Driven by the pursuit of HD programs bundled with networking services, network operators in Europe and the U.S. have proactively introduced a wide variety of new services to stimulate demand and replace out-of-date equipment. However the number of DTH subscribers in Asia has almost caught up with that of North America, with increasing demand for related devices. The overall DTH market in Asia is maintaining a steady growth rate.

(2) In the satellite broadcast market, Sirius XM generated outstanding performance results in 2011. With the current rebound in auto sales, subscribers have increased to over 21 million, with primary business revenue coming from the pre-assembly OEM market. Following trends in mobile broadband, Sirius XM has actively developed new services with IP broadcasting functions and personalized features, to respond to developments in global markets and diversify its business scope. All of these factors will have a positive and direct influence on increasing demand for various satellite broadcasting products.

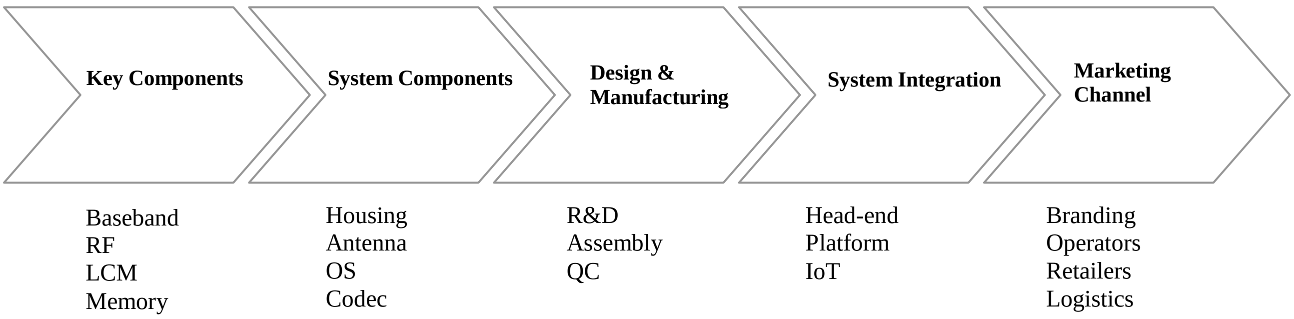
(3) Regarding the wireless WAN market, smartphones continued to flourish and competition between brands was intense. Under Google's active promotion, the Android platform continues to grow rapidly and received much attention in the consumer market, and with the arrival of the Windows Phone 7, the smartphone market has shown strong global growth. Total shipped units worldwide reached 490 million in 2011 and are expected to reach 670 million in 2012, becoming the leading mobile computing product worldwide. Moreover, the introduction of the iPad2 increases the popularization of smart devices and marks the beginning of a post-PC world of boundless possibility. However, although the growing sophistication of mobile devices offer users an ever-wider variety of new applications, they also place heavy demand on broadband resources necessitating the

urgent upgrade of current networks. For this reason, global network operators are planning to replace current frequency bands and speed up the transition to 4G wireless network technology. As a whole, the growth and influence of the extremely broad mobile communications market is expected to spur further development within the wireless communications industry, and have a great impact on the future of the ICT industry.

(4) With regards to the wired/wireless LAN market, driven by mobile broadband applications the network communications industry in 2011 carried on from 2010's direction. The focus remains on different application domains of wireless multi-media technology and devices, in particular the high speed solutions that hit the market in abundance. In-home wireless devices using 802.11 standards have reached a mature stage, and these standards have generally become commonplace in the personal computer industry. In recent years, rapid growth of the emerging network media market has stimulated the demand for wireless capabilities in consumer electronic products, bringing forth a variety of innovative business opportunities for Wi-Fi products. Smart TV, IoT (Internet of Things), A/V transmission, WMAN (wireless metropolitan area network) for mobile broadband network distribution all show that, as a mature technology, Wi-Fi applications are expanding. According to In-Stat's projections in 2012 quantity of Wi-Fi chipsets shipped will break 1.4 billion and by 2014 the market scale will reach 2 billion. In terms of consumer electronics Wi-Fi chipsets reached a penetration rate of 36% and 100% within Blu-ray players and handheld gaming consoles respectively. In addition growth in Digital TV with built-in Wi-Fi is expected to take off, from 8% penetration in 2010 to 40% by 2015.

2. Industry Value Chain

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



3. Product Development Trends

(1) Digital home applications have been shaped gradually
In recent years, the competition within the home television service market among telecom operators, TV suppliers and Internet content providers has become increasingly intensive. Therefore, both telecom operators and home appliance manufacturers have commenced development of digital home related applications and services, such as multi-room services for homes with more than one TV, Internet multimedia players, Internet Blu-ray players, smart TVs etc. These emerging products and services offer a great digital home experience to consumers as well as stimulating the whole market. In addition the utilization of green power concepts and Internet connectivity of white goods have demonstrated the unprecedented diversity and potential of digital home products. WNC

has a solid communications knowledge base, a broad range of development experience and comprehensive product integration capabilities. WNC can provide high flexibility in design and manufacturing and grows together with customers to benefit from digital home trends.

(2) New satellite equipment product trends

Satellite radio products are high-powered and high-frequency broadcast receiving devices. In recent years specifications have evolved at a very slow pace. However, driven by increasingly fierce competition, a variety of new product requirements, including energy saving, reduced size, lower installation threshold and multiple satellite signal reception have emerged. In addition, adding of IP internet integration capability is a key objective of satellite operators, offering consumers a more interactive service instead of traditional one-way satellite services. In recent years WNC has put much effort into the satellite field, and developed other wireless and multimedia technologies as well, in order to cooperate with satellite operators. With advanced insight into market demands, WNC can assist satellite operators in developing highly technical and sophisticated product lines, and provide customers with new product solutions to complex networks, bringing its years of integration experience in cross-domain technologies into full play.

(3) Diverse wireless broadband mobile applications

In recent years mobile phone chipset technology, input interface and mobile broadband technology have continued to develop, and diversified application services and platforms have come to the market as well. Smartphones have won great favor among consumers and have become hot topics in the market. The Android platform, being open source, has helped many operators and branding companies enter the smartphone market and establish a totally new sales mode of software oriented services. Android has also gained the attention of PC makers who have devoted themselves to the development of smart terminal devices, including smartphones, tablet PCs, smartbooks, etc. WNC has comprehensive experience in mobile handset development and is already successfully delivering products to its customers that feature its specialized capabilities in full frequency range antenna design, system integration, and user interface development. WNC will strengthen its development of different platforms equipped with value-added applications, ultimately to provide innovative products for its customers.

(4) WWAN technology for a growth impetus

After years of equipment testing and standards formulation for 4G mobile broadband technology, LTE (long term evolution) officially launched at the end of 2010 and in 2011 heated up, indicating mobile broadband has entered the 100Mbps generation. Both telecom and broadcasting operators are positive on the advantages that 4G will bring to the market. They have started to deploy and plan for the construction of corresponding Internet networks. In February 2010, there were only 59 telecom operators with established LTE networks. By December 2011, the number had increased to 285 leading to a very competitive market. WNC has unique design experience in broadband modules and high-power technology. Moreover, WNC has introduced a new generation of OFDM (orthogonal frequency division multiplexing) technology into mobile broadband applications. Hence, WNC is very confident in its ability to assist customers in the design of high quality wireless broadband equipment.

III. Technology Research and Development

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

Unit: Thousand NT$

Year	2011	Up to Mar. 31, 2012
R&D expenditure	1,375,800	282,003
Percentage of total revenue	4.31%	3.86%

2. Successfully developed technologies or products

(1) Satellite communication product series

Year	Technology or Product
2011	1. Multi-output outdoor receiver system product series 2. HD satellite receiver system product series 3. Automotive safety radar

(2) Wireless communication and broadband network product series

Year	Technology or Product
2011	1. 4G AP terminal equipment 2. Home energy management product series 3. High-end wireless router 4. High-end Internet TV STB 5. Home audio-visual internet transcoder

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

1. Short-term business development plans

(1) Marketing Strategy

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

(2) Operations Management

A. Sustained technology development

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

B. Improving production capacity and manufacturing capability

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

(3) Financial policy

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

2. Long-term business development plans

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

(2) Operation Management

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

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

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

(3) Financial Policy

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

B. With the growth of corporate business activities, WNC plans to enhance asset and liability management, maintain reasonable cash conversion cycles and provide a healthy financial structure.

4.2 Market and Sales Overview

I. Market Analysis

1. Geographic distribution of major product markets

Unit: Thousand NT$

<table>
<tr><th colspan="2" rowspan="2">Year
Area</th><th colspan="2">2010</th><th colspan="2">2011</th></tr>
<tr><th>Amount</th><th>Percentage of revenue</th><th>Amount</th><th>Percentage of revenue</th></tr>
<tr><td rowspan="5">Export Sales</td><td>Americas</td><td>13,808,675</td><td>54%</td><td>15,597,901</td><td>49%</td></tr>
<tr><td>Asia</td><td>7,582,559</td><td>29%</td><td>9,227,595</td><td>29%</td></tr>
<tr><td>Europe</td><td>1,607,309</td><td>6%</td><td>1,801,222</td><td>6%</td></tr>
<tr><td>Others</td><td>183,503</td><td>1%</td><td>130,290</td><td>0%</td></tr>
<tr><td>Total</td><td>23,182,046</td><td>90%</td><td>26,757,008</td><td>84%</td></tr>
<tr><td colspan="2">Domestic Sales</td><td>2,679,071</td><td>10%</td><td>5,134,983</td><td>16%</td></tr>
</table>

2. Market share

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

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

3. Future market status and growth potential

(1) Satellite communication product series
In recent years, high-definition satellite TV services have been heavily promoted in mature satellite TV markets in both the U.S. and Europe, as well as in emerging markets in Asia and Eastern Europe. DIRECTV, a U.S. company, emphasizes its portfolio of more than 170 channels of HD programming. Upgrading of services stimulates demand for HD receiving equipment as well as replacement of out-of-date receiving devices. In addition, many countries have started to recall frequency bands originally utilized by analog TV. These actions encourage former users to turn to new services, ultimately bringing benefits to satellite markets. The rapid growth of the Asian and Eastern Europe markets, together with strong demand for high-quality satellite receiving equipment at a low price, both suggest that the entire DTH market will develop in a virtuous cycle in the near future.

(2) Mobile and handheld devices
The twin factors of continuous upgrade of iPhone and iPad versions and the maturing of the Android platform in 2011 has lead to strong growth of the entire smartphone market and has also driven growth in shipments of mobile phone antennas and other mobile

phone components. With the decreasing cost of mobile broadband and in the face of the next few years trend of strong growth impetus in smartphones, cross-industry product service integration will be the next emerging application mode. For example in the field of telematics the ability to transfer driving data and OBD breakdown messages from the engine control unit to a handheld device means the consumer can at any time access the OBDII system to understand vehicle status.

At the same time, a variety of network applications have demonstrated well the concept of the digital home. From STB, NAS, IP Radio, IAD (integrated access device), to traditional home appliances, many devices have begun adding internet connectivity and functionality. Boundaries between consumer electronic products are becoming increasingly blurred, while the trend for sharing and integrating platforms has become more obvious. For telecom operators, the key to entering the digital home market lies in how to plan a quadruple play marketing and sales strategy for the 4 screens (television, computer, mobile phone and tablet PC), and ultimately guide users in this new era of the digital home.

4. Competitive Advantages

(1) Working with WNC: Competitive Advantages of WNC

A. Professional management team

The management team at WNC has many years of experience across a broad range of technology. All members of the management team are capable of grasping key product technologies and of independently developing products while fully understanding market changes. With their guidance, the right niche products adopting integrated communication technologies are quickly promoted to the market. The management team at WNC helps the company maintain a leading position in the industry with sustained competitive advantages

B. Comprehensive wireless communication product lines as well as timely and flexible product integration technologies. Focused on all related products of the Broadband, Multimedia and Wireless domains with its full range of wireless communications technologies, WNC has abundant experience in the fields of microwave communications, digital wireless communications, antenna design, software engineering, multimedia integration development, etc, with a total mastery of the technologies utilized. Moreover, it fully understands trends in communication markets, while improving integration capabilities of communication technologies. WNC also meets direct to market demands of customized products while improving time-to-market schedules of new products and repeatedly winning the recognition of major international brands.

C. Overall technical support and after-sales services

In addition to obtaining full ISO certification, WNC has also received TL16949, QC080000, and ESD S20.20 certification. This demonstrates the importance that WNC attaches to product quality and the high degree of customer satisfaction WNC strives to achieve. Likewise, WNC pays special attention to establishing a complete customer advisory system and after-sales service system, maintaining long-term partnerships with customers.

D. Leading R&D methods

With regards to satellite communication products, WNC has specialist teams devoted to antenna, microwave, software and driver development, with outstanding technical ability in the design and manufacturing of satellite communication products. With respect to R&D human resources, WNC hires specialist personnel with proven experience in microwave communications. In addition to satellite antenna labs, WNC has established advanced measurement labs, which help provide related experimental product data. And finally, regarding wireless communication products, WNC also has a large number of talented software specialists with full independent design and development capabilities.

E. Complete product line development, taking advantage of economies of scale
WNC develops satellite communication products, mobile communication products and WLAN products at present. With the expansion of application fields, the corresponding markets of current products have maintained growth momentum. Revenues from all product lines have benefited from these economies of scale. Through cost control mechanisms, WNC enhances its profit-making capabilities.

5. Future development factors and response strategies

(1) Favorable factors:

A. Growth of the digital broadcast industry
With the advent of the digital age, rapid and flexible digital communications are a reality. Apple’s iPod, amongst other products, has lead to a storm of digital music, and subscribers to the primary satellite radio service provider (Sirius XM) in the U.S., which is the entire America market, is seeing steady growth. In addition Sirius XM has achieved service penetration in different communication media formats, increasing user loyalty and opportunities to maintain contact with users.
In the field of digital TV, mature markets in Europe and the U.S have generated diversified services due to competition among Pay TV platforms and penetration of Internet applications. For example, many Pay TV service operators in the U.S. have announced new functions such as multi-room systems, integration with smart phone applications, etc. Likewise, emerging markets have begun switching from analog to digital formats under government encouragement. For example, with the rapid establishment of DTH platform satellite services, emerging markets such as India and Latin America have been undergoing significant growth. In general, the demand for integrated products and basic receiving equipment has continued to increase, in both mature and emerging markets.

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

C. Trends in highly integrated networks and mobile devices
In the trend for integration of wired and wireless broadband networks, and in order to meet user demand for wireless and mobile services, new services are generated. For instance, in addition to mobile broadband services, triple-play services, which offer voice, video and data services through IP networks, are undergoing rapid development based on wired broadband. All of these services will stimulate a new round of network infrastructure and terminal device upgrade.

(2) Unfavorable factors

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

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

B. Operational costs have increased

The price of oil continues to rise. The cost of raw materials has increased sharply, while labor costs in mainland China have risen due to local regulations. All of these factors have put great pressure on the entire manufacturing industry regarding the cost of materials and manufacturing. In 2011 the economic situation in the US and Europe has had a considerable effect on the global economy and industry operations. While the European debt crisis is temporarily resolved risk is still present and uncertainties exist which may or may not have a direct or indirect influence on the operations and profit-earning ability of the company.

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

C. Exchange rate fluctuations influence company profits

Since WNC is mainly focused on export sales of products, changes in exchange rates can affect profitability of the company.
Response measures:
The Finance Department must focus on changes in exchange rates and the demand for capital at all times, and take all necessary measures to ensure risk mitigation.

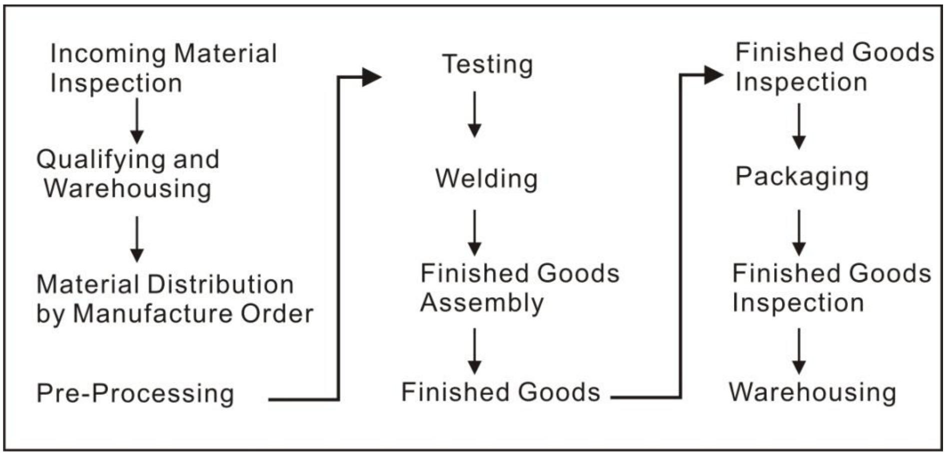
II. Primary Applications of Major Products and Production Processes

1. Primary Applications

	Satellite Communications Product Series	**Mobile and Handheld Devices**
Functions and Features of Products	Satellite communication products are characterized by long-distance and wide-ranging transmission capability. They can provide any form of wireless communication services without geographical limits. Satellite communications offer high quality and large capacity. It utilizes microwave bands and re-utilizes all other frequencies. Available bandwidth can reach several gigabits, and throughput is far greater than ordinary communications technologies.	<u>WLAN Networks:</u> The GSM protocol for WAN wireless communications formulated by the CEPT (European Conference of Postal and Telecommunications Administrations) in 1982 has now been widely accepted by the global telecom market, and has gradually adopted advanced standards with higher bandwidths, wider coverage and low power consumption. It has evolved from the 2G, 2.5G standards, which focused on voice communication, to the HSPA protocol that focuses on material services. Moreover, the latest 4G standards, including WiMAX and LTE, which utilize OFDM technologies, were developed from 2008 to 2010 and from 2010 onwards have rapidly entered the market with the deployment of LTE services. <u>Broadband Networks:</u> To enable interoperability between different WLAN solutions and create a unified standard for communications between wireless and wired transmission, the IEEE (Institute of Electrical and Electronics Engineers) has defined the 802.11 standards for wireless LAN. As for middle and long distance wireless communications within 30 to 300 meters, any devices complying with 802.11 standards can communicate with each other. A local area network can be established using several compatible communication devices that comply with 802.11 standards.
Main Applications	They are mainly applied to satellite TV, satellite broadcasting and digital broadcasting services. They are utilized in areas that lack telecom services or across vast areas of land while providing diversified sources of information.	<u>WLAN Networks:</u> The main applications of GSM-based 2G communication standards are voice and text communications and limited network services. With the utilization of the 3G and 4G high bandwidth technologies described above, the mobile broadband market is expected to develop at a rapid pace. In addition, this may form a new industry structure and generate competition among highly integrated terminal devices, revolutionizing the entire telecom industry.

	Satellite Communications Product Series	Mobile and Handheld Devices
		Broadband Networks (IEEE802.11X): The WLAN solutions promoted by IEEE enable terminal devices to wirelessly access networks based on 802.11 standards. 802.11 standards support long transmission distance and high data rates. At present, products conforming to 802.11a/b/g/n have a data rate of 600Mbps and a range of 30 to 300 meters. Therefore, WLAN products are usually applied in larger environments where wired network systems are difficult to set up and where mobile network access is needed or within environments with temporary demand for network connection. For instance, in-home, public area networks, and enterprise applications can cover homes, enterprises, logistics, medical care, etc. Nowadays, WLAN applications are integrated with multimedia functionality and have become a trend in the wireless digital home network market.

2. Production Process



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

The primary raw materials and components of WNC comprise integrated circuits, storage devices, LCDs, filters, chipsets, connection cables and connectors, mechanical components, dish antennas, PCBs, etc. 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 integrity of incoming raw materials and components, WNC has strict requirements regarding source of materials, quality, and delivery to ensure that there are no issues during supply of raw materials and components.

IV. Key Accounts in the Past Two Years

1. Key Buyers

Unit: Thousand NT$

	2010				2011			
	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron NeWeb	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron NeWeb
1	NUSA	9,342,842	36.13	Subsidiary of the Company	NUSA	10,940,681	34.31	Subsidiary of the Company
					FHT	3,227,414	10.12	
2	Other	16,518,275	63.87		Other	17,723,896	55.57	
	Total	25,861,117	100.00		Total	31,891,991	100.00	

2. Key Suppliers

Unit: Thousand NT$

	2010				2011			
	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron NeWeb	From	Amount	Percentage of total net purchase (%)	Relationship with Wistron NeWeb
1	NQJ	15,105,274	63.04	Subsidiary of the Company	NQJ	18,045,105	62.46	Subsidiary of the Company
2	Other	8,856,159	36.96	None	Other	10,847,463	37.54	None
	Total	23,961,433	100.00		Total	28,892,568	100.00	

V. Production Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Production Value / Major Product	2010			2011		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Wireless Communication Products	13,500,000	12,375,395	4,242,423	32,000,000	31,269,857	6,527,997
Other	0	0	0	0	0	0
Total	13,500,000	12,375,395	4,242,423	32,000,000	31,269,857	6,527,997

VI. Sales Value in the Most Recent Two Years

Unit: Thousand NT$

Year / Sales Value / Major Product	2010				2011			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wireless Communication Products	16,984,135	1,697,281	56,469,116	22,913,713	34,312,696	4,024,352	69,546,805	26,161,749
Other	0	981,790	0	268,333		392,583		1,313,307
Total	16,984,135	2,679,071	56,469,116	23,182,046	34,312,696	4,416,935	69,546,805	27,475,056

4.3 Taiwan Employee Data for the Past Two Years

Year		2010	2011
Number of Employees	Sales	147	191
	R&D	490	580
	Manufacturing	238	249
	Administration	226	227
	Direct Labor	533	756
Total		1,634	2,003
Average Age		34.25	33.97
Average Years of Service		4.3	4.1

4.4 Environmental Protection Measures

1. WNC’s business belongs to a technology-intensive industry of research and development. Since our manufacturing processes only include SMT (Surface Mount Technology), precision assembly, testing, R&D, etc., waste gases, waste water, undesirable noise, toxic substances or other pollutants are relatively rarely generated. In addition, except for CO2 exhausted due to power consumption, there are no other air pollutants generated, such as NOX, SOX. As for disposal of waste material, WNC invites only specialist operators recognized by Taiwan’s EPA and makes related declarations online as required to ensure that no environmental contamination occurs. WNC implements all applicable pollution prevention tasks in a positive cycle under its well-prepared management system and regularly inspects its waste treatment plant to ensure proper operation. Furthermore, it continuously carries out a systematic operational management scheme to improve environmental health and safety and has received ISO 14001:2004 Environment Management System certification.
2. Total losses and fines for environmental pollution in the two most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report: The Company does not have any environmental pollution issues. Therefore, there were no fines nor losses incurred.
3. Explanations of measures and possible disbursements to be made in the future: None.

5. Financial Standing

5.1 Most Recent 5-Year Concise Financial Information

5.1.1 Most Recent 5-Year Balance Sheet

Unit: Thousand NT$

Period / Item		Most recent 5-Year Financial Information				
		2007	2008	2009	2010	2011
Current assets		8,848,452	7,929,401	7,201,142	10,155,058	12,241,933
Fund and Long-term equity investments		997,245	1,357,992	1,905,875	2,890,746	3,850,079
Net property, plant and equipment		723,772	958,430	1,617,820	2,006,356	2,040,883
Intangible assets		91,680	40,825	27,541	36,874	42,537
Other assets		384,763	204,125	196,385	226,348	204,780
Total assets		11,045,912	10,490,773	10,948,763	15,315,382	18,380,212
Current Liabilities	Before Distribution	5,194,132	4,509,288	4,251,420	7,044,237	7,288,106
	After Distribution	5,635,109	4,741,003	4,698,067	7,997,362	-
Corporate bonds payable		0	0	0	0	1,434,637
Other liabilities		0	13,448	68,409	146,067	309,073
Total Liabilities	Before Distribution	5,194,132	4,522,736	4,319,829	7,190,304	9,031,816
	After Distribution	5,635,109	4,754,451	4,766,476	8,143,429	-
Common stock		2,014,811	2,367,151	2,521,711	2,735,335	2,899,106
Capital surplus		1,426,106	1,426,106	1,491,320	1,727,300	1,954,973
Retained Earnings	Before Distribution	2,352,801	2,281,129	2,755,180	3,733,448	4,353,702
	After Distribution	1,559,484	1,933,557	2,184,464	2,644,162	-
Unrealized gain (loss) of financial instruments		27,280	11,789	12,614	2,347	4,572
Translation adjustments and other equity adjustment		30,782	95,883	62,130	(73,352)	136,043
Stockholders' Equity	Before Distribution	5,851,780	5,968,037	6,628,934	8,125,078	9,348,396
	After Distribution	5,410,803	5,736,322	6,182,287	7,171,953	-

5.1.2 Most Recent 5-Year Concise Income Statement

Unit: Thousand NT$

Period / Item	Most Recent 5-Year Financial Information				
	2007	2008	2009	2010	2011
Operating revenue	16,576,628	17,628,377	13,270,807	25,861,117	31,891,991
Gross profit	2,541,276	2,737,333	2,360,697	3,599,900	3,861,174
Operating income	1,146,447	871,724	697,955	1,276,249	1,267,413
Non-operating income	122,425	155,996	388,080	784,591	870,397
Non-operating expense	90,027	102,534	15,631	148,514	27,267
Income from continuing operations before income taxes	1,178,845	925,186	1,070,404	1,912,326	2,110,543
Net income for continuing operations	1,066,996	721,645	821,623	1,548,984	1,709,540
Net income	1,066,996	721,645	821,623	1,548,984	1,709,540
EPS	5.30	3.11	3.35	5.92	5.98

5.1.3 CPA Opinions in the Most Recent 5 Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion
2007	KPMG	Sing-Hai Wei, Chia-Hsin Chang	Unreserved
2008	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unqualified opinion with an explanatory paragraph
2009	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved
2010	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved
2011	KPMG	Mei-Yu Tseng, Chia-Hsin Chang	Unreserved

5.2 Most Recent 5-Year Financial Analysis

Item / Period			Most recent 5-Year Financial Information				
			2007	2008	2009	2010	2011
Financial ratio (%)	Total liabilities to total assets		47.02	43.11	39.45	46.95	49.14
	Long-term debts to fixed assets		808.51	624.09	413.97	412.25	528.35
Ability to payoff debt (%)	Current ratio		170.35	175.85	169.38	144.16	167.97
	Quick Ratio		151.53	159.08	153.93	129.1	156.18
	Interest protection		16.62	14.40	79.56	139.63	78.51
Ability to operate	A/R turnover (times)		3.26	4.20	3.84	5.7	4.81
	A/R turnover days		112	87	95	64	76
	Inventory turnover (times)		14.19	17.43	16.36	27.1	30.34
	Account payable turnover (times)		4.31	6.03	5.58	7.87	6.71
	Days sales outstanding		26	21	22	13	12
	Fixed assets turnover (times)		22.90	18.39	8.20	12.89	15.63
	Total assets turnover (times)		1.50.	1.68	1.21	1.69	1.74
Earning ability	Return on assets (%)		10.30	7.18	7.76	11.88	10.28
	Return on equity (%)		19.18	12.21	13.04	21	19.57
	To pay-in capital %	Operating income	56.90	36.83	27.68	46.66	44.27
		PBT	58.51	39.08	42.45	69.91	73.72
	Net income ratio (%)		6.00	4.09	6.19	5.99	5.36
	EPS (NTD)		5.30	3.11	3.35	5.92	5.98
Cash flow (%)	Cash flow ratio		23.86	36.29	31.93	7.62	19.04
	Cash flow adequacy ratio		105.67	145.77	170.25	117.02	111.29
	Cash reinvestment ratio		11.05	17.53	14.42	0.95	3.5
Leverage	Operating leverage		1.32	1.51	1.14	1.29	1.26
	Financial leverage		1.07	1.09	1.02	1.01	1.02

5.3 2011 Audit Committee’s Review Report

The Board of Directors has prepared the Company’s 2011 Business Report, Financial Statements, including Balance Sheet, Statements of Income, Statements of Changes in Stockholder’ Equity and Minority Interest and Statements of Cash Flows and the profit allocation proposal. The Audit Committee of Wistron NeWeb Corporation has reviewed and determined the above to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Wistron NeWeb Corporation, 2012 General Shareholders' Meeting

Audit Committee Convener: Morgan Chang

5.4 Financial Reports

<u>Independent Auditors' Report</u>

The Board of Directors
Wistron NeWeb Corporation:

We have audited the accompanying consolidated balance sheets of Wistron NeWeb Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wistron NeWeb Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting standards generally accepted in the Republic of China.

March 21, 2012

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

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

Wistron NeWeb Corporation

Consolidated Balance Sheets

December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

Assets	2011 Amount	%	2010 Amount	%
Current assets:				
Cash (note 4(a))	$ 3,850,326	17	3,975,092	22
Available-for-sale financial assets－current (note 4(b))	1,570,394	7	320,223	2
Notes and accounts receivable, net (note 4(c))	6,512,101	30	5,431,840	30
Receivables from related parties (note 5)	159,229	1	154,828	1
Other financial assets－current (note 4(n))	25,830	-	15,787	-
Inventories, net (note 4(d))	3,958,287	18	3,073,517	17
Other current assets	335,392	2	198,147	1
Net deferred income tax－current (note 4(m))	85,238	-	109,473	-
Total current assets	16,496,797	75	13,278,907	73
Funds and investments (note 4(e)):				
Long-term investments under equity method	108,916	1	94,805	1
Financial assets carried at cost－non-current	79,932	-	79,932	-
Other financial assets－non-current	7,975	-	6,672	-
Total funds and investments	196,823	1	181,409	1
Property, plant and equipment:				
Buildings	3,298,929	15	2,997,928	16
Machinery and equipment	3,183,834	14	2,747,744	15
Research and development equipment	499,165	2	386,700	2
Other equipment	467,155	2	343,575	2
	7,449,083	33	6,475,947	35
Less: accumulated depreciation	2,929,531	13	2,291,489	12
Construction in progress and prepayments for equipment	266,948	1	93,419	-
Net property, plant and equipment	4,786,500	21	4,277,877	23
Intangible assets (note 4(f))	125,913	1	112,651	1
Other assets (notes 4(c), 4(g) and 4(h)):				
Deferred charges	373,894	2	322,485	2
Prepaid pension assets	30,453	-	27,942	-
Total other assets	404,347	2	350,427	2
Total assets	$ 22,010,380	100	18,201,271	100

Liabilities and Stockholders' Equity	2011 Amount	%	2010 Amount	%
Current liabilities:				
Short-term loans (note 4(i))	$ 3,415,489	16	3,286,204	18
Notes and accounts payable	5,128,189	23	4,926,462	27
Payables to related parties (note 5)	79,638	-	75,432	-
Accrued expenses	834,691	4	338,346	2
Salary and wages payable	1,014,430	5	795,962	4
Other current liabilities	445,837	2	507,720	3
Total current liabilities	10,918,274	50	9,930,126	54
Bonds payable (note 4(j))	1,434,637	6	-	-
Net deferred income tax liability－non-current (note 4(m))	309,073	1	146,067	1
Total liabilities	12,661,984	57	10,076,193	55
Stockholders' equity (notes 4(j)and 4(k)):				
Common stock	2,862,886	13	2,682,640	15
Advance receipts for common stock	36,220	-	52,695	-
Capital surplus	1,954,973	9	1,727,300	9
Retained earnings:				
Legal reserve	821,950	4	667,052	4
Special reserve	71,005	-	-	-
Unappropriated earnings	3,460,747	16	3,066,396	17
Total retained earnings	4,353,702	20	3,733,448	21
Other stockholders' equity:				
Cumulative translation adjustments	136,043	1	(73,352)	-
Unrealized gains on financial assets	4,572	-	2,347	-
Total other stockholders' equity	140,615	1	(71,005)	-
Total stockholders' equity	9,348,396	43	8,125,078	45
Commitments and contingencies (note 7)				
Total liabilities and stockholders' equity	$ 22,010,380	100	18,201,271	100

See accompanying notes to consolidated financial statements.

1.1.1

Wistron NeWeb Corporation

Consolidated Statements of Income

For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

		2011		2010	
		Amount	%	Amount	%
Sales (note 5)	$	33,541,748	99	27,312,635	100
Less: Sales returns and allowances		115,120	1	146,305	1
Net sales		33,426,628	98	27,166,330	99
Service income		555,486	2	172,057	1
Total sales and service income		33,982,114	100	27,338,387	100
Cost of goods sold (notes 4(d), 4(f), 5 and 8)		28,695,928	84	22,599,466	83
Gross profit		5,286,186	16	4,738,921	17
Operating expenses (notes 4(f), 5 and 8):					
Selling		1,302,424	4	1,094,640	4
General and administrative		450,754	1	443,790	1
Research and development		1,454,168	5	1,240,266	5
Total operating expenses		3,207,346	10	2,778,696	10
Operating income		2,078,840	6	1,960,225	7
Non-operating income and gains:					
Interest revenue		25,686	-	15,553	-
Investment gain recognized by equity method (note 4(e))		6,380	-	24,857	-
Foreign exchange gain, net		124,951	1	-	-
Other income (note 4(n))		90,053	-	147,889	-
Total non-operating income and gains		247,070	1	188,299	-
Non-operating expenses and losses:					
Interest expense		96,222	-	53,592	-
Foreign exchange loss, net		-	-	88,740	-
Other loss		566	-	7,227	-
Total non-operating expenses and losses		96,788	-	149,559	-
Income before income tax		2,229,122	7	1,998,965	7
Income tax expense (note 4(m))		519,582	2	449,981	1
Net income	$	1,709,540	5	1,548,984	6

		2011 Income before income tax	2011 Net income	2010 Income before income tax	2010 Net income
Earnings per share (note 4(l)) (New Taiwan dollars):					
Basic earnings per share－retroactively adjusted	$	7.38	5.98	6.96	5.64
Diluted earnings per share－retroactively adjusted	$	6.91	5.60	6.70	5.43

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other stockholder’ equity			
	Common stock	Advance receipts for common stock	Capital surplus	Legal reserve	Special reserve	Unappro-priated earnings	Cumulative translation adjustments	Unrealized on gains on financial assets	Treasury stock	Total
Balance as of January 1, 2010	$ 2,521,711	-	1,491,320	584,890	-	2,170,290	62,130	12,614	(214,021)	6,628,934
Appropriation of earnings (note 1):										
Legal reserve	-	-	-	82,162	-	(82,162)	-	-	-	-
Cash dividends	-	-	-	-	-	(446,647)	-	-	-	(446,647)
Stock dividends	124,069	-	-	-	-	(124,069)	-	-	-	-
Exercising of employee stock options for common stock	36,860	52,695	135,526	-	-	-	-	-	-	225,081
Treasury stock sold to employees	-	-	100,454	-	-	-	-	-	214,021	314,475
Unrealized losses on financial assets	-	-	-	-	-	-	-	(10,267)		(10,267)
Net income for 2010	-	-	-	-	-	1,548,984	-	-		1,548,984
Cumulative translation adjustment	-	-	-	-	-	-	(135,482)	-	-	(135,482)
Balance as of December 31, 2010	2,682,640	52,695	1,727,300	667,052	-	3,066,396	(73,352)	2,347	-	8,125,078
Appropriation of earnings (note 2):										
Legal reserve	-	-	-	154,898	-	(154,898)	-	-	-	-
Special reserve	-	-	-	-	71,005	(71,005)	-	-	-	-
Cash dividends	-	-	-	-	-	(953,125)	-	-	-	(953,125)
Stock dividends	136,161	-	-	-	-	(136,161)	-	-	-	-
Exercising of employee stock options for common stock	44,085	(16,475)	153,513	-	-	-	-	-	-	181,123
Convertible bonds issued	-	-	74,160	-	-	-	-	-	-	74,160
Unrealized gains on financial assets	-	-	-	-	-	-	-	2,225	-	2,225
Net income for 2011	-	-	-	-	-	1,709,540	-	-	-	1,709,540
Cumulative translation adjustment	-	-	-	-	-	-	209,395	-	-	209,395
Balance as of December 31, 2011	$ 2,862,886	36,220	1,954,973	821,950	71,005	3,460,747	136,043	4,572	-	9,348,396

Note 1: Remuneration to directors and supervisors and employees’ bonuses in the amount of $7,395 and $147,891, respectively, totaling $155,286, had been charged against earnings of 2009.
Note 2: Remuneration to directors and supervisors and employees’ bonuses in the amount of $13,941 and $278,817, respectively, totaling $292,758, had been charged against earnings of 2010.

See accompanying notes to consolidated financial statements.

Wistron NeWeb Corporation

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 1,709,540	1,548,984
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	699,502	541,470
Amortization	204,827	114,899
Provision for doubtful accounts and for sales returns and allowances, net	51,417	159,230
Compensation cost	-	140,000
Amortization of discount on bonds payable	14,092	-
Provision for inventory obsolescence and devaluation loss	196,043	155,345
Investment gain recognized by equity method	(6,380)	(24,857)
Gain on disposal of investment	(4,559)	(13,467)
Deferred income tax expense	144,352	130,918
Adjustment for other non-cash-related losses, net	23,235	23,480
Change in operating assets and liabilities:		
Notes receivable	(42,564)	(6,682)
Accounts receivable	(1,089,114)	(2,527,344)
Receivable from related parties	(4,401)	(10,575)
Inventories	(1,080,813)	(1,439,405)
Prepaid pension assets	(2,511)	(3,190)
Other current assets	(147,288)	(104,928)
Notes and accounts payable	201,727	2,287,951
Payables to related parties	4,206	14,824
Accrued expenses and other current liabilities	652,930	557,951
Net cash provided by operating activities	1,524,241	1,544,604
Cash flows from investing activities:		
Purchase of available-for-sale financial assets－current	(3,338,700)	(1,312,160)
Proceeds from disposal of available-for-sale financial assets－current	2,095,313	2,437,442
Purchase of financial assets carried at cost－non-current	-	(31,450)
Acquisition of property, plant and equipment	(1,101,784)	(1,594,184)
Proceeds from disposal of property, plant and equipment	4,796	933
Increase in deferred charges	(172,427)	(103,113)
Increase in intangible assets	(77,100)	(65,038)
Increase in other financial assets－non-current	(1,303)	(4,458)
Net cash used in investing activities	(2,591,205)	(672,028)
Cash flows from financing activities:		
Increase in short-term loans	129,285	546,471
Payment of cash dividends	(953,125)	(446,647)
Proceeds from exercise of employee stock options	181,123	225,081
Proceeds from treasury stock sold to employees	-	174,475
Issuance of convertible bonds	1,494,705	-
Net cash provided by financing activities	851,988	499,380
Effect of exchange rate changes	90,210	(43,490)
Net increase (decrease) in cash	(124,766)	1,328,466
Cash at beginning of year	3,975,092	2,646,626
Cash at end of year	$ 3,850,326	3,975,092
Supplemental disclosure of cash flow information:		
Interest paid	$ 82,837	50,878
Income tax paid	$ 425,307	171,410

See accompanying notes to consolidated financial statements.

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

(1) Organization

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

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

As of December 31, 2011 and 2010, the Consolidated Companies had 8,178 and 8,238 employees, respectively.

(2) Summary of Significant Accounting Policies

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

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

(a) The consolidated subsidiaries are summarized as follows:

Name of Subsidiary	Name of Investor	Business	Percentage of the ownership at December 31, 2011	2010
ANC Holding Corp. (ANCH)	the Company	Sales of wireless communication and electronic components products	100%	100%
NeWeb Holding Corp. (NEWH)	the Company	Holding company	100%	100%
WNC Holding Corp. (WNCH)	the Company	Holding company	100%	100%

(Continued)

Name of Subsidiary	Name of Investor	Business	Percentage of the ownership at December 31, 2011	2010
W-NeWeb Corp. (NUSA)	the Company	Sales of satellite communication and portable communication products	100%	100%
WNC (Kunshan) Corp. (NQJ)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
Webcom Communication (Kunshan) Co., Ltd. (NYC)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
Wistron NeWeb (Kunshan) Corp. (NQX)	NEWH	Manufacturing and sales of satellite communication and portable communication products	100%	100%
NeWeb Service (Kunshan) Corp. (NQC)	NEWH	Services for satellite communication and portable communication products	100%	100%

(b) Consolidation policies

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

(c) Use of estimates

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

(Continued)

(d) Foreign currency transactions and translation

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

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

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

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

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

(Continued)

(f) Asset impairment

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

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

(g) Financial instruments

1. Financial assets at fair value through profit or loss

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

2. Available-for-sale financial assets

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

3. Financial assets carried at cost

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

4. Notes receivable, accounts receivable, and other receivables

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

(Continued)

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. The estimation of future cash flows includes the collectability of collateral and related insurance.

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

Prior to January 1, 2011, the Consolidated Companies adopted the newly revised SFAS No. 34 "Financial Instruments: Recognition and Measurement", under which the allowance for doubtful receivable is based on the age, credit quality, and results of the Consolidated Companies' evaluation of the collectability of the outstanding balance of notes and accounts receivable.

(h) Inventories

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

(Continued)

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

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

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

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

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

(j) Property, plant and equipment, and depreciation

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

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

(Continued)

The useful lives of the main property are as follows:

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

(k) Intangible assets

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

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

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

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

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

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

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

(Continued)

(l) Deferred charges

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

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

(m) Employee retirement plan

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

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

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

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

(Continued)

(n) Compound financial instruments－convertible bonds

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

(o) Treasury stock

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

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

(p) Share-based payment

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

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

(Continued)

(q) Revenue recognition

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

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

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

(s) Income taxes

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

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

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

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

(Continued)

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

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

(u) Operating segments information

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

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

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

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

(Continued)

(4) Explanation of Significant Accounts

(a) Cash

	December 31	
	2011	2010
Cash on hand	$ 510	554
Savings and checking account	1,783,756	1,464,362
Time deposits	2,066,060	2,510,176
	$ 3,850,326	3,975,092

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

	December 31	
	2011	2010
Mutual funds	$ 1,570,394	320,223

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

	December 31	
	2011	2010
Current:		
Notes receivable	$ 51,350	8,786
Accounts receivable	6,735,399	5,646,285
	6,786,749	5,655,071
Less: allowance for doubtful accounts and allowance for sales returns and discounts	(274,648)	(223,231)
	$ 6,512,101	5,431,840
Non-current:		
Overdue receivable	$ 39,976	39,976
Less: allowance for doubtful accounts	(39,976)	(39,976)
Overdue receivable, net (recorded in other assets－non-current)	$ -	-

(Continued)

(d) Inventories

	December 31 2011	December 31 2010
Finished goods	$ 2,368,494	1,825,450
Less: provision for inventory devaluation	(3,900)	(2,937)
	2,364,594	1,822,513
Work in process	246,925	209,037
Less: provision for inventory devaluation	(3,233)	(1,693)
	243,692	207,344
Raw materials and supplies	1,508,124	1,169,345
Less: provision for inventory devaluation	(158,123)	(125,685)
	1,350,001	1,043,660
	$ 3,958,287	3,073,517

	2011	2010
Cost of goods sold	$ 28,511,633	22,446,634
Inventory provision	196,043	155,345
Revenue from sale of scrap	(11,652)	(2,529)
Physical inventory loss (gain)	(96)	16
	$ 28,695,928	22,599,466

(e) Funds and investments

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

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

(Continued)

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

Investee	December 31, 2011 Acquisition cost	December 31, 2011 Book value	December 31, 2010 Acquisition cost	December 31, 2010 Book value
Financial assets carried at cost－non-current:				
First International Telecom, Inc.	$ 29,700	-	29,700	-
GreenWave Reality LLC	48,482	48,482	48,482	48,482
NeWave Sensor Solutions LLC	31,450	31,450	31,450	31,450
		$ 79,932		79,932

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

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

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

	For the years ended December 31, 2010 Beginning balance	Current-period change	Amortization	Ending balance
Goodwill	$ 35,277	-	-	35,277

(Continued)

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

		December 31	
		2011	**2010**
Refundable deposits	$	7,975	6,672

(f) Intangible assets

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

		Software	Patents	Land Use Rights	Total
Original cost:					
Balance at January 1, 2010	$	147,462	12,725	79,456	239,643
Additions (Refunds)		32,138	25,024	7,876	65,038
Write-off		(84,462)	(9,456)	-	(93,918)
Translation adjustment		-	-	(5,356)	(5,356)
Balance at December 31, 2010	$	95,138	28,293	81,976	205,407
Balance at January 1, 2011	$	95,138	28,293	81,976	205,407
Additions		44,002	33,098	3,178	80,278
Write-off		(60,608)	(3,269)	-	(63,877)
Translation adjustment		-	-	5,957	5,957
Balance at December 31, 2011	$	78,532	58,122	91,111	227,765
Amortization:					
Balance at January 1, 2010	$	121,828	10,818	5,490	138,136
Amortization		36,534	11,295	1,066	48,895
Write-off		(84,462)	(9,456)	-	(93,918)
Translation adjustment		-	-	(357)	(357)
Balance at December 31, 2010	$	73,900	12,657	6,199	92,756
Balance at January 1, 2011	$	73,900	12,657	6,199	92,756
Amortization		36,475	34,962	972	72,409
Write-off		(60,608)	(3,269)	-	(63,877)
Translation adjustment		-	-	564	564
Balance at December 31, 2011	$	49,767	44,350	7,735	101,852
Book value:					
Balance at January 1, 2010	$	25,634	1,907	73,966	101,507
Balance at December 31, 2010	$	21,238	15,636	75,777	112,651
Balance at January 1, 2011	$	21,238	15,636	75,777	112,651
Balance at December 31, 2011	$	28,765	13,772	83,376	125,913

For the years ended December 31, 2011 and 2010, the Consolidated Companies recognized amortization expense for intangible assets of $72,409 and $48,895, respectively, recorded in operating cost and expense.

(Continued)

(g) Deferred charges

		December 31	
		2011	**2010**
Deferred building acquisition cost	$	149,954	159,326
Others		223,940	163,159
	$	**373,894**	**322,485**

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

(h) Pension

The measurement dates for the actuarial study of the Company's pension obligation were December 31, 2011 and 2010. The funded status of the Company's pension scheme was as follows:

		December 31	
		2011	**2010**
Benefit obligation:			
Vested benefit obligation	$	(18,867)	(20,012)
Non-vested benefit obligation		(62,380)	(57,124)
Accumulated benefit obligation		(81,247)	(77,136)
Effects of future salary increases		(73,145)	(71,755)
Projected benefit obligation		(154,392)	(148,891)
Fair value of plan assets		121,378	114,089
Funded status		(33,014)	(34,802)
Unrecognized pension gain		63,012	62,213
Unrecognized net obligation at transition		455	531
Prepaid pension assets	**$**	**30,453**	**27,942**

The net pension cost had the following components:

		2011	**2010**
Defined benefit plan:			
Service cost	$	1,431	2,000
Interest cost		2,606	2,804
Expected return on pension fund		(1,387)	(1,635)
Amortization		1,656	1,196
Net pension cost	**$**	**4,306**	**4,365**
Defined contribution plan:	**$**	**81,631**	**60,752**

(Continued)

Actuarial assumptions were as follows:

	December 31	
	2011	**2010**
Discount rate	2.00%	1.75%
Rate of salary increase	4.00%	4.00%
Projected return on plan assets	2.00%	1.75%

As of December 31, 2011 and 2010, the vested benefit costs were $24,642 and $26,276, respectively, and the amounts were calculated based on the Company's employee retirement plan.

(i) Short-term loans

As of December 31, 2011 and 2010, short-term loans were $3,415,489 and $3,286,204, respectively, and the Consolidated Companies had total short-term lines of credit amounting to $11,976,162 and $8,616,963, respectively, and had used short-term lines of credit amounting to $3,449,302 and $3,304,134, respectively.

For the years ended December 31, 2011 and 2010, the interest rate was 0.7082%~6.059% and 0.59%~3.99%, respectively.

(j) Bonds payable

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

Par value:	$1,500,000
Maturity date:	June 2014
Coupon rate:	0%
Conversion price:	The conversion price is calculated as 110% of the basis price, which is the average price among the three arithmetic averages of the Company's closing prices for one, three, and five business days before the basis date. Using the above approach, the conversion price of the issuance was $126.4 dollars per share. The above conversion price has been adjusted down to $116.1 dollars per share since August 17, 2011.
Conversion method:	Except for the close period, bondholders may convert bonds into the Company's common shares at any time between July 15, 2011, and June 4, 2014.

(Continued)

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

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

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

The details of convertible bonds are summarized below:

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

		For the year ended December 31, 2011
Interest expense	**$**	**14,092**

(k) Stockholders' equity

1. Common stock and employee stock options

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

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

As of December 31, 2011 and 2010, the authorized capital of the Company was $3,500,000, including $250,000 reserved for employee stock options. The issued capital amounted to $2,862,886 and $2,682,640, respectively. The par value of the Company's common stock is $10 per share.

(Continued)

As of December 31, 2011 and 2010, the employee stock options which were still valid were as below:

Item	Approval date	Grant date	Vesting period	Units of grant (thousands)	Price per share (New Taiwan dollars)	Market price per share (New Taiwan dollars)	Adjusted exercise price (New Taiwan dollars)
First employee stock options in 2007	November 15, 2007	November 16, 2007	2~4 years	20,000	$65.80	$65.80	$41.30

As of December 31, 2011 and 2010, the above employee stock options had been exercised for 4,115 thousand shares and 4,857 thousand shares, respectively.

As of December 31, 2011 and 2010, the Company had received $36,220 and $52,695, respectively, in advance for the employee stock options for the purchase of 877 thousand shares and 1,171 thousands shares, respectively. The registration had not yet been completed and was recorded in advance receipts for common stock.

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

According to the employee stock options granted on November 16, 2007, the options are exercisable from the second anniversary of the grant date. The Company adopted the intrinsic value method to recognize the compensation cost for the first employee stock options in 2007. However, as the option exercise price was equal to the market value on the measurement date, there was no compensation cost recognized for the year ended December 31, 2011.

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

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

(Continued)

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

	For the years ended December 31,			
	2011		2010	
	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (New Taiwan dollars)
Outstanding balance at the beginning	14,723	$ 45.00	19,725	$48.70
Options exercised	(4,115)	44.02	(4,857)	46.34
Options forfeited (expired)	-	-	(145)	48.70
Outstanding balance at period-end	**10,608**	**41.30**	**14,723**	**45.00**
Exercisable number at period-end	**10,608**	**41.30**	**8,195**	**45.00**

As of December 31, 2011, the weighted-average remaining contractual life of the employee stock options was 2.88 years.

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

		For the years ended December 31	
		2011	2010
Net income	Net income	$ **1,709,540**	**1,548,984**
	Pro forma net income	**1,691,859**	**1,531,303**
Basic EPS	EPS (New Taiwan dollars)	**5.98**	**5.64**
	Pro forma EPS (New Taiwan dollars)	**5.92**	**5.57**
Diluted EPS	EPS (New Taiwan dollars)	**5.60**	**5.43**
	Pro forma EPS (New Taiwan dollars)	**5.50**	**5.37**

2. Capital surplus

	December 31	
	2011	2010
Capital surplus－premium	$ 1,743,706	1,590,193
Treasury stock sold to employees	100,454	100,454
Bonds payable	74,160	-
Capital surplus from merger	36,653	36,653
	$ **1,954,973**	**1,727,300**

(Continued)

Pursuant to the ROC Company Act, capital surplus can be used to offset a deficit. Where a company incurs no loss, it may capitalize its capital reserve, consisting of the following, by issuing new shares, which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares held by each of them or by distributing a cash dividend:

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

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

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

3. Legal reserve

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

4. Policy on distribution of earnings and dividends

According to the Company's articles of incorporation at June 17, 2011, 10% of the Company's net income, after offsetting any accumulated deficit, shall be set aside as a legal reserve. A special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder of such appropriation should be as follows:

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

(ii) 1% as remuneration to directors, provided in cash.

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

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

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

(Continued)

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

For the years ended December 31, 2011 and 2010, the amounts of the employees' bonuses were estimated at $307,717 and $278,817, respectively, and the amounts of remuneration to directors and supervisors were estimated at $15,386 and $13,941, respectively. The board of directors estimated the amounts by taking into consideration the Company's articles of incorporation and the historical appropriation, and the amounts were decided to be 90% of the balance of net income on December 31, 2011 and 2010, multiplied by 20% as bonuses to employees and multiplied by 1% as remuneration to directors and supervisors. Shares distributed to employees as employees' bonuses are calculated based on the closing price of the Company's stock on the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Moreover, if the amounts are modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change in accounting estimate and will be reflected in the statement of income in the following year.

Information about employees' bonuses and directors' and supervisors' remuneration which were distributed from unappropriated earnings for 2010 and 2009 on June 17, 2011, and June 14, 2010, is as follows:

		2010	2009
Dividends per share:			
Cash (new Taiwan dollars)	$	3.498	1.794
Common stock (par value)		0.500	0.498
	$	3.998	2.292
Employees' bonuses－cash	$	279,527	147,891
Directors' and supervisors' remuneration		13,231	7,395
	$	292,758	155,286

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

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

5. Treasury stock

The Company owned 5,000 thousand shares of treasury stock with a total cost of $214,021, recorded as a reduction in stockholders' equity. Pursuant to the ROC Securities and Exchange Act, treasury stock must be transferred to employees within three years. If not, that treasury stock will be treated as undistributed shares, and the Company must change the registration with the government authority. According to SFB regulations, treasury stock shall not be pledged nor does it possess voting rights or receive dividends until it is disposed of or transferred to employees.

(Continued)

In the fourth quarter of 2010, the Company sold 5,000 thousand shares of treasury stock to its employees and recognized compensation cost of $140,000 using the Black-Scholes option pricing model in accordance with SFAS No. 39. The assumptions were as follows:

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

The date on which the Company transferred treasury stock to its employees was November 17, 2010. The closing price on the above transfer date was $63 (New Taiwan dollars). The transfer procedure was completed in 2010.

(l) Earnings per common share

The Company's EPS were calculated as follows:

	For the years ended December 31,			
	2011		2010	
	Before Income Taxes	After Income Taxes	Before Income Taxes	After Income Taxes
Basic EPS:				
Net income	$ 2,110,543	1,709,540	1,912,326	1,548,984
Weighted-average common shares outstanding (thousand)	285,844	285,844	261,665	261,665
Basic EPS (New Taiwan dollars)	$ 7.38	5.98	7.31	5.92
Basic EPS－retroactively adjusted (New Taiwan dollars)			$ 6.96	5.64
Diluted EPS:				
Net income	$ 2,110,543	1,709,540	1,912,326	1,548,984
Add : Potential effects of common shares－convertible bonds	14,092	11,696	-	-
Net income when calculating diluted EPS	$ 2,124,635	1,721,236	1,912,326	1,548,984
Weighted-average common shares outstanding (thousand)	$ 285,844	285,844	261,665	261,665
Add: Potential number of common shares (thousand)	21,655	21,655	9,880	9,880
Diluted weighted-average common shares outstanding (thousand)	307,499	307,499	271,545	271,545
Diluted EPS (New Taiwan dollars)	$ 6.91	5.60	7.04	5.70
Diluted EPS－retroactively adjusted (New Taiwan dollars)			$ 6.70	5.43

(Continued)

(m) Income tax

The components of the Company's tax exemption are summarized below:

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

NQJ and NYC are exempted from income taxes in the first and second year (2008~2009) and allowed a 50% reduction in the third to fifth year (2010~2012). The statutory income tax rates applicable to NQJ and NYC are 12% and 11% for the years ended December 31, 2011 and 2010, respectively.

The Company's income tax expense is based on the Income Tax Act of the Republic of China and is calculated in accordance with the Income Basic Tax Act (IBTA). Pursuant to the Income Tax Act, as revised on May 27, 2009, the statutory income tax rate applicable to the Company was reduced from 25% to 20% starting from 2010. In June 15, 2010, the Republic of China government promulgated another amendment on the Income Tax Act to further reduce the income tax rate from 20% to 17%, effective on January 1, 2010; such reduction in the income tax rate is retrospective. Therefore, the statutory income tax rate applicable to the Company is 17% in 2011 and 2010. The subsidiaries' statutory income tax rate depends on their location.

Income tax expense was as follows:

	For the years ended December 31 2011	2010
Current income tax	$ 375,230	319,063
Deferred income tax expense	144,352	130,918
	$ 519,582	**449,981**

(Continued)

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

		For the years ended December 31	
		2011	**2010**
Income tax expense computed at the statutory tax rate	$	378,951	339,824
Discrepancy caused by different tax rates applied to the Company's subsidiaries		85,147	72,510
Tax effect of permanent differences		1,621	(8,911)
Tax exemption		(3,684)	(6,055)
Change in investment tax credits, net		(48,931)	11,073
Change in valuation allowance for deferred income tax assets		-	(34,478)
Additional 10% surtax on undistributed earnings		23,379	16,874
Effect of change in tax rate		-	1,176
Prior-year adjustment		83,099	57,968
Income tax expense	$	519,582	449,981

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

		December 31			
		2011		**2010**	
		Amount	**Income tax effect**	**Amount**	**Income tax effect**
Current assets:					
Tax credits	$	16,165	16,165	16,165	16,165
Allowance for doubtful accounts over the quota		183,834	31,252	134,877	22,929
Unrealized loss from inventory devaluation		165,256	28,093	130,315	22,154
Unrealized expense		119,523	20,319	116,307	19,772
Unrealized foreign exchange gains		(137,769)	(23,421)	85,263	14,495
Unrealized inter-company profits		164,205	27,915	168,940	28,720
Others		2,700	1,080	3,507	1,403
			101,403		125,638
Less: valuation allowance			(16,165)		(16,165)
		$	85,238		109,473

(Continued)

	December 31			
	2011		2010	
	Amount	Income tax effect	Amount	Income tax effect
Non-current liabilities:				
Cumulative translation adjustments	$ (174,707)	(29,700)	77,576	13,189
Investment gain recognized by equity method	(1,643,369)	(279,373)	(936,799)	(159,256)
		$ (309,073)		(146,067)
Total deferred tax assets		$ 124,824		138,827
Total deferred tax liabilities		$ 332,494		159,256
Valuation allowance for deferred tax assets		$ 16,165		16,165

According to the Statute for Industrial Innovation, a profit-seeking enterprise may deduct of its research and development expenditures from its income tax payable for the period in which these expenditures are incurred, but the deduction should not exceed 30% of the income tax payable for that period. The Company deducted $48,931 and 48,857 from its income tax payable in 2011 and 2010, respectively.

ROC tax regulations stipulate that investment tax credits used by the Company each year shall not exceed 50% of current income tax payable, and any unused balance can be carried forward to the following four years and will be subject to the same percentage limitation for each year except in the year of expiration, when any remainder can be used for offset of income tax payable in that year. As of December 31, 2011, the estimated unused income tax credits, resulting from investment in machinery and equipment, research and development, and training, available to reduce future tax liabilities and the years of expiration were as follows:

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

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

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

	December 31	
	2011	2010
Unappropriated retained earnings:		
Earned after December 31, 1998	$ 3,460,747	3,066,396
Imputation credit account balance	$ 419,686	351,967

(Continued)

	2011 (estimated)	2010 (actual)
Creditable ratio for earnings distribution to resident stockholders	13.99%	16.90%

(n) Financial instruments

1. Derivative financial instruments

Item	December 31 2011 Contract amount (in USD thousands)	2011 Currency	2010 Contract amount (in USD thousands)	2010 Currency
Sell－forward foreign currency exchange contracts	$ 5,000	Sell USD/ Buy NTD	-	

The Company signed forward foreign currency exchange contracts with banks. The contracts' purpose is to manage the foreign exchange rate risk exposure of net foreign currency assets. As of December 31, 2010, the above forward contracts had been closed. As of December 31, 2011 , the book value of related derivative financial assets was $97, recorded in other financial assets－current. Changes in fair value caused unrealized gains on financial assets of $97 for the year ended December 31, 2011, recorded in other income.

NQJ and NYC did not enter into any derivative financial instrument contracts for the year ended December 31, 2011. NQJ and NYC signed forward foreign currency swap contracts with banks for the year ended December 31, 2010. As of December 31, 2010, the above foreign currency swap contracts had been closed.

(Continued)

2. Non-derivative financial instruments

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

	December 31			
	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets:				
Cash	$ 3,850,326	3,850,326	3,975,092	3,975,092
Available-for-sale financial assets－current (beneficiary certificates)	1,570,394	1,570,394	320,223	320,223
Financial assets carried at cost－non-current (equities)	79,932	2.(ii)(3)	79,932	2(ii)(3)
Notes and accounts receivable	6,671,330	6,671,330	5,586,668	5,586,668
Other financial assets	33,805	33,805	22,459	22,459
Financial liabilities:				
Short-term loans	3,415,489	3,415,489	3,286,204	3,286,204
Bonds payable	1,434,637	1,432,500	-	-
Notes and accounts payable	5,207,827	5,207,827	5,001,894	5,001,894
Salary and wages payable	1,014,430	1,014,430	795,962	795,962

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

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

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

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

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

(Continued)

3. Financial risk information

(i) Market price risk

The forward foreign currency exchange contracts as of December 31, 2011, are influenced by the market exchange rate. Appreciation of the US dollar by 0.1 against the New Taiwan dollar would have caused the fair value to increase by approximately $500.

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

(ii) Credit risk

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

The majority of the Consolidated Companies' customers are in the communications industry. The Consolidated Companies continuously evaluate the credit quality of their customers. As of December 31, 2011 and 2010, 61% and 59%, respectively, of total accounts receivable consisted of eleven and ten customers, respectively. However, the Consolidated Companies evaluate the collectibility of trade receivables and provide adequate reserves for bad debts, if necessary.

(iii) Liquidity risk

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

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

Some of the Consolidated Companies' short-term loans bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. As of December 31, 2011, if the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately $8,057.

(Continued)

(5) Related-party Transactions

(a) Name and relationship

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

(b) Significant transactions with related parties

1. Sales, services income, and accounts receivable

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

	For the years ended December 31,			
	2011		2010	
	Amount	% of net sales	Amount	% of net sales
WPKS	$ 149,019	1	114,358	-
WAKS	134,351	-	124,455	1
WEKS	93,485	-	125,258	1
WIKS	23,361	-	50,824	-
Wistron	2,875	-	816	-
Others	63,775	-	35,385	-
	$ 466,866	1	451,096	2

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

(Continued)

The receivables resulting from the above transactions were as follows:

	December 31,			
	2011		2010	
	Amount	% of net N/R & A/R	Amount	% of net N/R & A/R
WPKS	$ 74,213	1	31,792	1
WAKS	51,079	1	44,440	1
WEKS	12,245	-	62,609	1
WIKS	9,092	-	3,294	-
Others	12,600	-	12,693	-
	$ 159,229	2	154,828	3

2. Purchases and accounts payable

Purchases from related parties were as follows:

	For the years ended December 31,			
	2011		2010	
	Amount	% of net purchases	Amount	% of net purchases
WQN	$ 467,432	2	403,583	2

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

Payables resulting from the above transactions were as follows:

	December 31,			
	2011		2010	
	Amount	% of net N/P & A/P	Amount	% of net N/P & A/P
WQN	$ 78,694	2	70,575	1

3. Rental expenses

The rent for factory buildings and dormitories leased from Wistron for the years ended December 31, 2011 and 2010, amounted to $773 and $1,781, respectively.

As of December 31, 2011 and 2010, payables resulting from the above transactions were $0 and $83, respectively.

(Continued)

4. Other transactions

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

	For the years ended December 31	
	2011	**2010**
Wistron	$ 26,476	24,622

Payables resulting from the above transactions were as follows:

	December 31	
	2011	**2010**
Wistron	$ 944	4,774

5. Compensation to the principal management team

	2011	**2010**
Salaries	$ 32,823	30,124
Cash awards and other expense	27,349	16,864
Business expense	510	430
Employee bonuses	28,359	22,757

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

(6) Pledged Assets: None

(7) Commitments and Contingencies

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

NQX entered into a construction contract amounting to $215,472 for the new building with Su Zhou Liang Sheng Mechanical & Electrical Engineering Co. Ltd. and Jiangsu Chengnan Construction Group Co. Ltd. As of December 31, 2011, the Company had paid $178,977, and was recorded as property, plant and equipment.

(Continued)

(8) Other

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

	For the years ended December 31,					
	2011			2010		
	Function					
Account	**Operating costs**	**Operating expense**	**Total**	**Operating costs**	**Operating expense**	**Total**
Personnel expenses						
Salaries	1,604,465	1,527,245	3,131,710	1,285,553	1,344,712	2,630,265
Labor and health insurance	47,667	75,358	123,025	43,943	61,315	105,258
Pension	38,292	47,645	85,937	26,777	38,340	65,117
Other	130,714	43,944	174,658	89,987	29,330	119,317
Depreciation	504,974	194,528	699,502	383,358	158,112	541,470
Amortization	105,622	99,205	204,827	48,649	66,250	114,899

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

Unit: foreign currency thousand

	2011			2010		
	Foreign currency	**Exchange rate**	**Amount**	**Foreign currency**	**Exchange rate**	**Amount**
Financial assets:						
Monetary items:						
USD	254,757	30.29	7,716,576	242,740	29.305	7,113,487
Long-term investments under equity method:						
USD	3,596	30.29	108,916	3,235	29.305	94,805
Financial liabilities:						
Monetary items:						
USD	261,402	30.29	7,917,862	267,943	29.305	7,852,070
Non-monetary items:						
USD	5,000	30.23~ 30.35	Note	-	-	-

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

(Continued)

(9) Segment Financial Information

(a) General information

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

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

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

(i) Information about Products and Services:

	December 31	
	2011	**2010**
Wireless communication products	$ 32,824,528	26,525,276
Others	1,157,586	813,111
	$ 33,982,114	27,338,387

(ii) Information about Geographic Areas:

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

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

A breakdown is as follows:

	2011	**2010**
Revenues from external customers:		
Americas	$ 15,390,757	13,453,687
Asia	16,659,845	12,093,888
Europe	1,801,222	1,607,309
Others	130,290	183,503
	$ 33,982,114	27,338,387

(Continued)

	December 31, 2011	December 31, 2010
Non-current assets		
Americas	$ 977	900
Asia	5,285,330	4,712,113
	$ 5,286,307	**4,713,013**

(iii) Information about Major Customers:

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

	2011 Amount	2011 % of net sales	2010 Amount	2010 % of net sales
Customer D	**$ 9,584,771**	**28**	**8,455,101**	**31**

(Continued)

6. Financial analysis, operating results analysis and risk management

6.1 Financial Analysis

6.1.1 2010 vs. 2011 financial analysis (non-consolidated)

Unit: Thousand NT$

Year / Item	2011		2010		Difference	
	Amount	%	Amount	%	Amount	%
Current assets	12,241,933	67	10,155,058	68	2,086,875	20.55
Long-term investments	3,850,079	21	2,890,746	19	959,333	33.19
Net property, plant and equipment	2,040,883	11	2,006,356	12	34,527	1.72
Intangible assets	42,537	-	36,874	-	5,663	15.36
Other assets	204,780	1	226,348	1	(21,568)	(9.53)
Total assets	18,380,212	100	15,315,382	100	3,064,830	20.01
Current liabilities	7,288,106	39	7,044,237	46	243,869	3.46
Bonds payable	1,434,637	8	-	-	1,434,637	100.00
Other liabilities	309,073	2	146,067	1	163,006	111.60
Total liabilities	9,031,816	49	7,190,304	47	1,841,512	25.61
Common stock	2,862,886	16	2,682,640	18	180,246	6.72
Advance receipts for common stock	36,220	-	52,695	-	(16,475)	(31.26)
Capital surplus	1,954,973	11	1,727,300	11	227,673	13.18
Un-appropriated earnings	4,353,702	23	3,733,448	24	620,254	16.61
Other adjustments	140,615	1	(71,005)	-	211,620	298.04
Total stockholders' equity	9,348,396	51	8,125,078	53	1,223,318	15.06

Note:

1. The current assets increase is due to increase in financial assets and account receivables.
2. Long term investment increase is due to profit earned by investment.
3. Bonds payable increase is due to WNC's first issuance of CB.
4. Other liabilities increase is due to deferred tax liability from long-term investment benefit increase.
5. Other adjustment increase is due to accumulated translation adjustment increase.

6.2 Operating Results Analysis

6.2.1 2011 vs. 2010 operating result analysis (Non-consolidated)

Unit: Thousand NT$

Item \ Year	2011		2010		Change percentage	
	Sub-total	Total	Sub-total	Total	Increasing (decreasing) amount	(%)
Revenues	32,103,046		26,057,960		6,045,086	23.20
Less: sales returns and allowances	211,055		196,843		14,212	7.22
Net revenues		31,891,991		25,861,117	6,030,874	23.32
Cost of revenues		28,035,552		22,174,107	5,861,445	26.43
Change in unrealized intercompany profits		4,735		(87,110)	91,845	105.44
Realized gross profit		3,861,174		3,599,900	261,274	7.26
Operating expenses		2,593,761		2,323,651	270,110	11.62
Operating income		1,267,413		1,276,249	(8,836)	(0.69)
Non-operating income and gains		870,397		784,591	85,806	10.94
Non-operating expenses and losses		27,267		148,514	(121,247)	(81.64)
Income before income taxes		2,110,543		1,912,326	198,217	10.37
Income tax benefit		(401,003)		(363,342)	37,661	10.37
Net income		1,709,540		1,548,984	160,556	10.37

Analysis for change item amount:

1. The net revenues and cost of revenues increase over 2010 is due to the increase of market demand and good sales performance.
2. The non-operating expenses and losses decrease is due to foreign exchange loss decrease.

6.3 Cash Flow Analysis

6.3.1 Cash flow forecast in 2012

Unit: Thousand NT$

Cash beginning balance	Cash flow from operating activities	Cash flow-in (out) due to investment and financing	Cash ending balance (shortage)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
2,555,710	1,387,465	(1,535,065)	2,408,110	-	-

1. Cash flow analysis:

   Operating activities: Cash flow-in of NT$1,387 million was mainly due to operating profit.

   Investing activities: Cash flow-out of NT$1,619 million was mainly due to acquisition of open-end mutual funds and fixed assets.

   Financing activities: Cash flow-in of NT$ 84 million was mainly due to CB issuance and loan payment.

6.4 Significant Capitalized Expenditure Analysis:

None

6.5 Long-term Investment Objective

6.5.1 Investment plan for the coming year:

None

6.6 Risk Management

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

Unit: Thousand NT$

Items	2011
Interest Income	13,356
Interest Expense	27,229
Exchange (loss) gain	70,925

By the end of 2011, the cash and short-term investment balance of the company totaled about NT$4 billion, with long-term and short-term borrowings of about NT$1.1 billion. We reinvested the surplus funds after considerable evaluation of risks involved, while watching closely changes in bank lending rates on a regular basis.
Around 84% of the Company's revenue from sales was quoted in U.S. dollars, and most of

the Company's materials purchasing used U.S. dollars as well. Therefore, the majority of the Company's foreign currency operating exposure can be offset. In addition the Company has used regular hedge activities to manage its foreign exchange risk, under proper risk management guidelines.
There was no major inflation influence during the past year on the Company.
The action plans to cope with 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 the Company's business anticipation and funds requirements.
3. Use auxiliary tools, such as derivative financial products, to avoid risks under proper risk guidelines.

6.6.2 What are the major reasons for the Company to engage in high risks or leveraged investments, make loans, make guarantees or buy derivatives in the last year? What are the reasons for gains or losses in these and what are the future response measures?

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

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

6.6.3 R&D planning

1. Future R&D plans

   (1) Satellite communications product series

   A. Automotive safety radar product series
   B. Multi output outdoor receiver system product series
   C. HD satellite receiver system product series
   D. Satellite Broadband transceivers
   E. Optical LNBF

   (2) Mobile and handheld communications product series

   A. 4G Broadband Network AP
   B. Enterprise wireless network routers
   C. Smart IPTV STB
   D. Home digital AV internet adapters

2. Investment

   The Company will continue to invest in the equipment of the above-mentioned products and recruit outstanding R&D personnel for innovation and development in order to maintain a leading role in the technology and win market opportunities. The investment ratio for R&D expenses for 2012 will be approximately the same as 2011.

6.6.4 The impact of legal and regulatory changes on the Company's financial performance:

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

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

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

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

Not applicable. The Company does not have any plans to make corporate image changes.

6.6.7 Expected gains and possible risks relative to acquisitions, and solutions:

Not applicable. The Company does not have any acquisition plans.

6.6.8 Expected benefits and risks related to plant facility expansion:

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

6.6.9 Supply and distribution concentration:

No concentration risk pertaining to suppliers and customers.

6.6.10 How do share transfers made by directors, supervisors or shareholders with 10% or more shareholdings affect the Company?

None

6.6.11 Impact of management changes on the Company 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 the Company's professional managers and executed after approval by the Board of Directors. The Company has established a complete and organized business structure, each department being distinguished by their assigned responsibilities and duties. The management strategy is fully applied through implementation of an internal management system and communication between each department. Management is therefore efficient, business results are assured, and the impact of management changes on Company operations is reduced significantly.

6.6.12 Where the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company 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 where such a dispute could materially affect shareholders' equity or the price of the company's stock, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report:

None

6.6.13 Other risks:

None

Wistron NeWeb Corp.