

Stock Code  
2317

# **HON HAI PRECISION INDUSTRY CO., LTD.**

## **Annual Report 2017**

Annual Report Website

Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.foxconn.com>

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THIS IS A TRANSLATION OF THE 2016 ANNUAL REPORT (THE “ANNUAL REPORT”) OF HON HAI PRECISION INDUSTRY CO., LTD. (THE “COMPANY”). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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### **V. Overseas Trade Places for Listed Negotiable Securities**

London Stock Exchange: <http://www.londonstockexchange.com>

**VI. Company Website:** <http://www.foxconn.com>

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## **I. Letter to Shareholders**

Over the past year, the technology industry had undergone transformations both structurally and in its business models. Global competition had broken all geographical constraints, and the integration of software with hardware has become all the more apparent. Faced with a highly competitive environment, Hon Hai/Foxconn Technology Group (“the Group”) has continued to achieve historical-high consolidated revenue, on top of winning No. 27 in Fortune Global 500 with the dedicated effort from our global employees. Concurrently, the Group has also continued to remain committed to R&D. Only two institutions in Taiwan had made the cut for the 2017 Top 100 Global Innovators from Clarivate Analytics, and it was the first time for us to win such distinguished title. These results indicate that the Group’s effort in continuing to create influential and innovative research and development in the information technology field and our efforts for patent protection have yielded fruitful results. Furthermore, statistics from the Intellectual Property Office, the Ministry of Economic Affairs in 2017 have placed the Group, with our 756 approved patent applications, as the Champion in Taiwan for the 15 consecutive years. We are grateful for the support and guidance from our shareholders, and thankful for our clients’ trust, as well as the support from our suppliers.

Looking ahead to 2018, solid growth is expected for the global economy due to the U.S. tax reform and growth from the advanced economies in Europe and Asia. Nevertheless, we need to remain cautious to uncertainties from inflations and the rate of interest rate hike. Additionally, the Chinese economy continues to be influenced by the structural adjustment, and the IMF has predicted that its growth may be sluggish. Other emerging economies are also confronted with inflation, unemployment, and sluggish growth. Combined with the rapid structural changes in the tech industry, we can anticipate for a challenging year ahead.

Faced with such market conditions, we need to accelerate the Group’s transition toward a technology platform provider through developing practical applications for Industrial Internet of Things (IIoT) on a cross-production site and globalized scale. Starting from this year, the next three years will mark the Group’s efforts toward big data, artificial intelligence (AI), and IIoT. Founded on our physical economic strength, the Company will launch three initiatives: Smart Production, Healthcare Internet, and Information Security. By enhancing quality, productivity and lowering cost to remain competitive, we aim to integrate industrial big data, cloud computing, data security management and control, blockchain financing, smart production, and smart supply chain through a strategic objective of “Cloud, Mobile, IoT, Big Data, Smart, Web, and Robotics.” Founded on six streams of big data including human, technology, information, process, logistics, and finance, the Group is geared to achieve a smart society with the Internet of Everything (IoE).

Furthermore, Hon Hai/Foxconn Technology Group will continue to pursue global excellence by cultivating technological innovations and recruiting talents from around the world. Besides building high speed computing cloud centers around the world, the Group will also invest tens of billions of NTD (New Taiwan Dollar) in the next five years to set up labs for IIoT and AI applications and robotics institutes around the globe to develop AI and IIoT applications. Besides encouraging internal staff to learn relevant technology, we also collaborate with schools and offer scholarships, hoping

to invite global talents to join Hon Hai/Foxconn to create the most value for the Group and for mankind. Founded on our mission for sustainable development, the Group will fulfill our social responsibility and continue to create greater value for shareholders.

Chairman Terry Gou

## **II. Company Introduction**

### **A. Founding Date: February 20, 1974**

Listing date: June 18, 1991

### **B. Formation History**

In 1994

1. Increased capital to NT\$1,303,000,000.
2. Reinvested Vate Technology Co., Ltd.
3. Reinvested LUNG HWA Electronics.
4. Many new products like AN and AT were developed.

In 1995

1. Increased capital to NT\$2,279,000,000.
2. Reinvested Unimicron Technology Corporation.
3. Reinvested United Microelectronics Corporation.
4. Many new products like L/P MCA, SGC and RF were developed.
5. Huyue Factory carried out its third phase for expansion.

In 1996

1. Increased capital to NT\$3,580,000,000.
2. Reinvested Hongyang Venture Capital Investment Co., Ltd.
3. Reinvested Guifeng Co., Ltd.

In 1997

1. Increased capital to NT\$5,118,000,000.
2. Set up the heat transfer product business office and environmental-friendly electro-plating technique development department.
3. Established the Material Testing Center.

In 1998

1. Increased capital to NT\$7,346,000,000.

2. Established the High-Speed Electrical Test Lab, the EMI/RFI Lab and Heat Transfer Lab.
3. Listed into The Information Technology 100 (IT 100) by the Business Week of America for the first time.

In 1999

1. Increased capital to NT\$11,000,000,000.
2. Capital was first raised from the international finance market via GDR issuance with 10% premium for issuing, creating a new high in overseas capital raising by domestic enterprises.
3. Selected as the Best Management Company in Taiwan by Asian Money.

In 2000

1. Increased capital to NT\$14,529,000,000.
2. Issued US\$345 million of overseas unsecured and transferable corporate bonds.
3. Invested Foxconn Optical Technology Inc. through its subsidiary – FOTI Holdings Corporation.

In 2001

1. Increased capital to NT\$17,687,800,000.
2. Evaluation of Taiwan Ratings as long-term issuer: grade AA- and its prospect: stability.
3. Evaluation of Standard & Poor's (S & P): grade BBB and its prospect: stability.
4. Became the first largest private manufacturing enterprise in Taiwan.
5. It is the earliest manufacturer of quantity production around the world for Intel Pentium 4 CPU Socket478.
6. Issued NT\$5 billion of domestic unsecured ordinary corporate bonds.

In 2002

1. Increased capital to NT\$20,648,970,000.
2. According to survey of Taiwan Ratings, it was the first largest manufacturing enterprise in Taiwan.
3. Won the first prize of the Best Corporate Strategy by Asiamoney.com.
4. Became the first largest exporter in Greater China.

#### In 2003

1. Increased capital to NT\$25,109,744,000.
2. Issued US\$450 million of overseas unsecured and transferable corporate bonds.
3. According to evaluation of IR Magazine, it was awarded the Best Investor Relation in Taiwan.
4. Acquired Motorola Chihuahua Factory in Mexico.

#### In 2004

1. Increased capital to NT\$32,310,231,030.
2. Acquired Eimo Oyji of Finland.
3. Merged Taiwan Ambit Microsystems (Stock) Company.
4. Became the first largest 3C OEM globally.

#### In 2005

1. Increased capital to NT\$40,383,230,780.
2. Invested Antai Power (Stock) Company through its subsidiary – Hongyang Venture Capital Investment (Stock) Company.
3. Invested Chi Mei Communication Systems Inc. through its subsidiary – Transworld Holdings Limited.
4. Issued NT\$11,500,000,000 of domestic unsecured ordinary corporate bonds.
5. Its overseas subsidiary – Foxconn International Holdings Ltd. was listed in Hong Kong.
6. Selected as the first largest enterprise in Taiwan firstly by Common Wealth.
7. Ranked among the Top 15 of the World's Most Admired Companies in Electronics by *Fortune*.
8. Became a member of Electronic Industry Code of Conduct (EICC), dedicated to promoting corporate social and environmental responsibilities (hereinafter referred to as SER).

#### In 2006

1. Increased capital to NT\$51,681,387,530.
2. Merged Taiwan Premier Image Technology Corp.
3. Issued NT\$18,000,000,000 of domestic unsecured and transferable corporate bonds.

4. Selected as the Happiest Taiwan Enterprise according to the questionnaire survey of 104 Job Bank.
5. Selected as the Most Desirable Company of office staff of Taiwan according to the survey of Cheers.
6. Nominated as the Best Investor Relation Company in Taiwan by IR Magazine.
7. Nominated as the Best Corporate Governance of the Year in Taiwan by IR Magazine.

#### In 2007

1. Increased capital to NT\$62,907,665,030.
2. Awarded as the Most Admired Enterprise in Taiwan by Common Wealth.
3. Nominated as the Best Investor Relation Company in Taiwan by IR Magazine.
4. Awarded the Progress Prize for the best investor relation company in Taiwan by IR Magazine.
5. Awarded the title of the World's Top 10 Chinese Enterprises of the Year by Asiaweek.
6. Ranked 154<sup>th</sup> among Fortune Global 500 Enterprises.

#### In 2008

1. Increased capital to NT\$74,146,234,780.
2. Issued NT\$5,180,000,000 of domestic unsecured ordinary corporate bonds.
3. Awarded as the Most Admired Enterprise in Taiwan by Common Wealth.
4. Ranked 132<sup>nd</sup> among Fortune Global 500 Enterprises.

#### In 2009

1. Increased capital to NT\$85,789,318,550.
2. Issued NT\$6,820,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked 109<sup>th</sup> among Fortune Global 500 Enterprises.
4. Ranked first among Taiwan enterprises for four consecutive years by Taiwan Ratings.
5. Awarded as the Best Management Enterprise in Taiwan by Finance Asia.
6. Recognized as one of Asia's Fabulous 50 of Asia by *Forbes*.

#### In 2010

1. Increased capital to NT\$96,612,482,030.
2. Issued US\$1,000,000,000 of overseas transferable corporate bonds.
3. Issued NT\$6,000,000,000 of domestic unsecured ordinary corporate bonds.
4. Ranked 176<sup>th</sup> among the Forbes Global 2000.
5. Ranked first among Taiwan Top 1000 Enterprises for five consecutive years according to the evaluation of Common Wealth.
6. Ranked first among Taiwan enterprises for five consecutive years by Taiwan Ratings.
7. Ranked 194<sup>th</sup> among the Global 500 Enterprises by (Britain) Financial Times.
8. Ranked 112<sup>th</sup> among Fortune Global 500.
9. Awarded as the Most Admired Companies in Taiwan by Common Wealth.

#### In 2011

1. Increased capital to NT\$106,890,066,630.
2. Issued NT\$18,000,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked 189th among Forbes Global 2000.
4. Ranked first among Top 1000 Taiwan Enterprises for six consecutive years by Common Wealth.
5. Ranked first among Taiwan enterprises for six consecutive years according to the evaluation of Taiwan Ratings.
6. Ranked 60th among Fortune Global 500 by Fortune.
7. Awarded the Most Admired Enterprise in Taiwan by Common Wealth.

#### In 2012

1. Increased capital to NT\$118,358,665,270.
2. Issued NT\$26,300,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked first among the Top 1000 Taiwan Enterprises for seven consecutive years according to the evaluation of Common Wealth Magazine.
4. Ranked first among Taiwan enterprises according to the evaluation of Taiwan Ratings for seven consecutive years.
5. Ranked 43<sup>rd</sup> among Fortune Global 500.

6. Ranked 156<sup>th</sup> among Forbes Global 2000.

In 2013

1. Increased capital to NT\$131,287,068,400.
2. Issued NT\$24,000,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked first among the Top 1000 Taiwan Enterprises for eight consecutive years according to the evaluation of Common Wealth Magazine.
4. Ranked first among Taiwan enterprises according to the evaluation of Taiwan Ratings for eight consecutive years.
5. Ranked 30<sup>th</sup> among Fortune Global 500.
6. Ranked 113<sup>th</sup> among Forbes Global 2000.

In 2014

1. Increased capital to NT\$147,934,068,630.
2. Issued NT\$39,200,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked first among the Top 1000 Taiwan Enterprises for nine consecutive years according to the evaluation of Common Wealth Magazine.
4. Ranked first among Taiwan enterprises according to the evaluation of Taiwan Ratings for nine consecutive years.
5. Ranked 32<sup>nd</sup> among Fortune Global 500.
6. Ranked 139<sup>th</sup> among Forbes Global 2000.

In 2015

1. Increased capital to NT\$156,382,882,280.
2. Issued NT\$34,650,000,000 of domestic unsecured ordinary corporate bonds.
3. Ranked first among the Top 1000 Taiwan Enterprises for ten consecutive years according to the evaluation of Common Wealth Magazine.
4. Ranked first among Taiwan enterprises according to the evaluation of Taiwan Ratings for ten consecutive years.
5. Ranked 31<sup>st</sup> among Fortune Global 500.
6. Ranked 122<sup>nd</sup> among Forbes Global 2000.

In 2016

1. Increased capital to NT\$173,287,382,620.
2. Invested in Sharp Corporation.
3. Issued NT\$21 billion of domestic unsecured ordinary corporate bonds.
4. Ranked 1<sup>st</sup> among Top 2000 Taiwan Enterprises by CommonWealth Magazine for eleven consecutive years.
5. Ranked 1<sup>st</sup> among Taiwan enterprises by Taiwan Ratings for eleven consecutive years.
6. Ranked 25<sup>th</sup> among Fortune Global 500.
7. Ranked 117<sup>th</sup> among Forbes Global 2000.

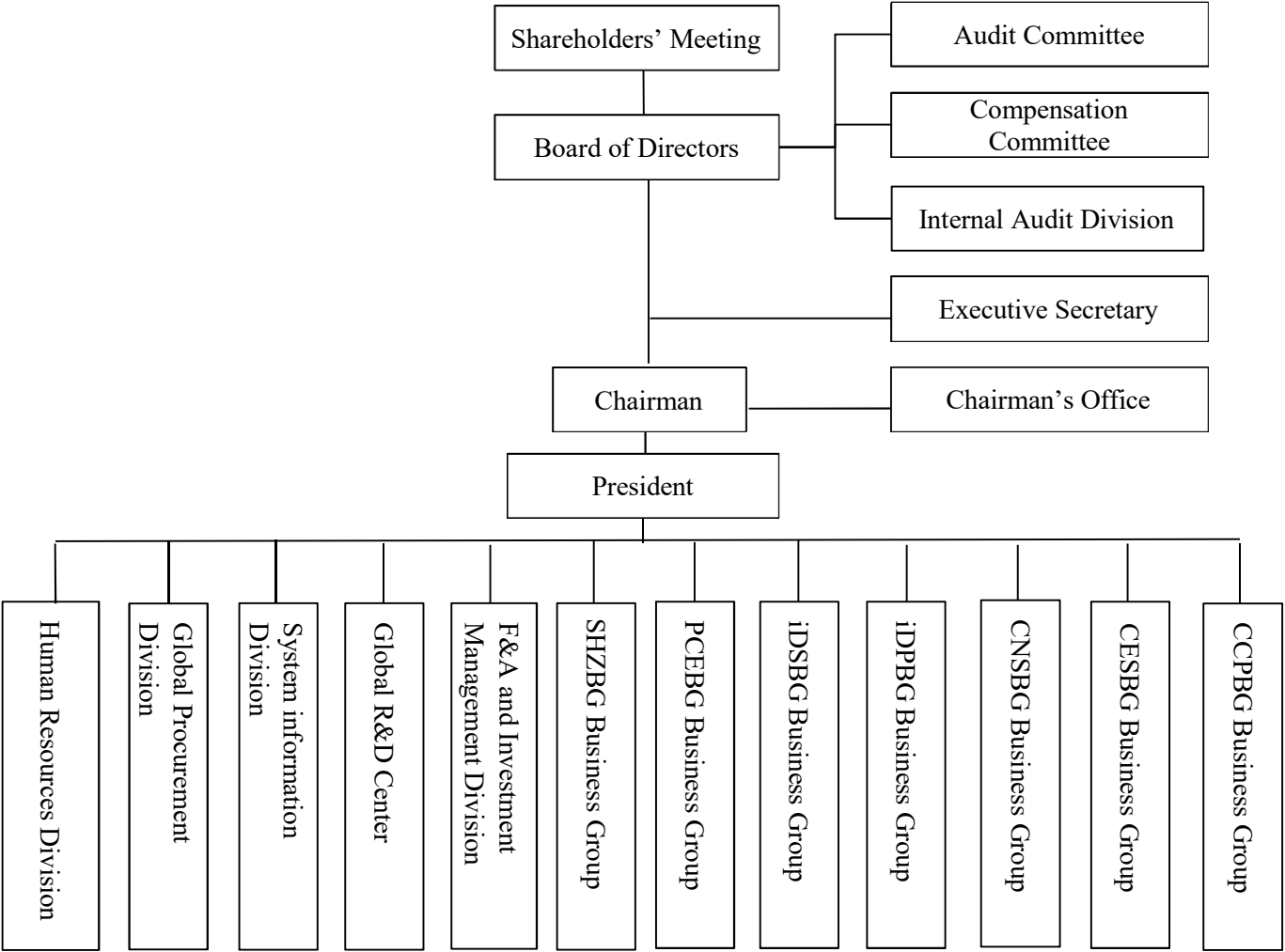
In 2017

1. Ranked 1<sup>st</sup> among Top 2000 Taiwan Enterprises by CommonWealth Magazine for twelve consecutive years.
2. Ranked No. 5 among Top 1000 across Taiwan Strait by CommonWealth Magazine.
3. Ranked 1<sup>st</sup> among Taiwan enterprises by Taiwan Ratings for twelve consecutive years
4. Ranked No. 27 among Fortune Global 500.
5. Ranked No. 98 among Forbes Global 2000; Foxconn was the only company from Taiwan to place within Top 100
6. Awarded as the Best Education Promoter in 13<sup>th</sup> CSR Awards from Global Views Monthly
7. Ranked No. 5 of the Most Admired Company by Taiwan's New Generation by Cheers Magazine.
8. Nominated for Most Progress in Investor Relations in IR Magazine Awards – Greater China.

III. Corporate Governance Report

A. Organization

(1) Organization Chart



## **(2) Department functions**

### **Internal Audit Division**

Audit internal regulations and rules and put forward proposals for improvement.

### **President**

President is responsible for working out business objectives, taking charge of the implementation of overall businesses, guiding and supervising the departments to deal with their respective businesses.

### **Business Group**

Provide customers with such services as the best design development, trial production, small scale production, mass production, global logistics and after-sale services, etc.

### **F&A and Investment Management Division**

Responsible for financial and accounting matters, budget preparation and control, capital planning and scheduling, operations concerning stock.

### **Global R&D Center**

Mainly to make overall planning for R&D resources, work out R&D direction and integrate R&D with production and manufacturing.

### **System Information Division**

Responsible for establishing, maintaining, managing, controlling and auditing the global information system of the Company and setting up safe management and control and firewall and other relevant mechanisms. Also in charge of connecting global network communication systems of the Company, ERP, KM, virtual office and other platforms.

### **Global Procurement Division**

Responsible for purchasing raw materials needed by the Company for production and manufacturing and adjusting the procurement strategies according to industrial prospects.

### **Human Resources Division**

Responsible for comprehensive management of such businesses of the Company as personnel, checking attendance and recruitment etc.

### (3) Directors

Date: 04/24/2018

Title	Nationality or Place of Registration	Name	First Elected Date	Shares held when elected		Current shareholding		Shares currently held by their spouses and minor children		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies
				Number	%	Number	%	Number	%	Number	%		
Chairman	Republic of China	Gou, Tai-ming (Terry Gou)	Feb. 20, 1974	1,973,952,862	12.62	1,621,848,148	9.36	0	0.00	0	0.00	Graduated from China Marine Technical College Director of Taiwan Electrical Equipment Association Chairman of Mold Industry Association	None
Director	Republic of China	Hon Jin International Investment Co., Ltd.	June 8, 2007	1,685,317	0.01	1,853,848	0.01	0	0.00	0	0.00	None	None
	Republic of China	Representative: Lu, Fang-ming	June 8, 2010	7,390,888	0.05	7,915,976	0.05	1,758,765	0.01	0	0.00	Master degree from Dept. of Applied Physics, Chung Yuan Christian University General Manager of Asia-Pacific Region, Lingyun Science and Technology Co., Ltd. General Manager of Computer System Products of HP Taiwan	President of Asia Pacific Telecom
Director	Republic of China	Hon Chiao International Investment Co., Ltd	June 10, 1995	24,135,854	0.15	26,549,439	0.15	0	0.00	0	0.00	None	Director of Pan-International Electronics
	Republic of China	Representative: Mao, Robert	April 21, 2017	0	0.00	0	0.00	0	0.00	0	0.00	Master of Business Administration, Massachusetts Institute of Technology Master in Engineering, Cornell University	Independent Director of Nissan Company, Inc. Director of Foxconn Industrial Internet Co., Ltd. Independent Director of Energy Recovery Inc

	Republic of China	Representative: Chen, Jen-gwo	June 22, 2016	1,007,285	0.01	1,396,013	0.01	0	0.00	0	0.00	Ph. D. in Industrial Engineering, University of Oklahoma Professor and Chairman of Dept. of Industrial Engineering, University of Houston Dean of College of Science & Engineering, University of Texas-Pan American	Chairman of Foxconn Advanced Manufacturing Productivity Institute (Shenzhen) Director of FuHonJin Precision Industry (Shenzhen)
Director	Republic of China	Huang, Qing-yuan	June 8, 2007	0	0.00	0	0.00	0	0.00	0	0.00	Master degree from Graduate School of Business, Nihon University Ph. D. Program, Graduate School of Business, Nihon University	Independent Director of Cathay Life Insurance, and Cathay Financial Holdings Managing (Independent) Director of Cathay United Bank Independent Director of Taiwan Glass Ind. Corp.
Director	Republic of China	Sung, Hsueh-jen	June 22, 2016	0	0.00	0	0.00	0	0.00	0	0.00	Master degree from Dept. of Business Administration, National Chengchi University Master degree from Harvard Business School, Harvard University Vice Chairman of Goldman Sachs Asia Pacific General Manager of Dahwa Securities Director of Capital Markets, Westpac Bank of Australia Tokyo Branch	Independent Director of Taiwan Mobile Co., Ltd. Chairman of Sonquan Co., Ltd. Chairman of New Total Asset Management Co., Ltd.

Independent Director	Republic of China	Chan, Chi-shean	June 22, 2016		0	0.00		0	0.00		0	0.00		0	0.00	M.D., School of Medicine, Chung Shan Medical University Honorary Doctorate degree from National Defense Medical Center Director of Dept. of Surgery of Pomona Valley Hospital Medical Center Director of Pomona Health Insurance Company Dean of Chi Mei Hospital Chairman of Nongovernmental Hospitals & Clinics Association Director of Dept. of Health, Executive Yuan Chairman of National Health Research Institutes	Chairman of Adimmune Corp. Chairman of Enimmune Corp.
Independent Director	Republic of China	Lee, Kai-fu	June 22, 2016		0	0.00		0	0.00		0	0.00		0	0.00	Ph. D. in Computer Science, Carnegie Mellon University Honorary Doctorate degree from City University of Hong Kong Vice President of Interactive Media Dept. of Apple, Inc. Vice President and General Manager of Internet Dept. of Silicon Graphics Inc. (SGI) President of Cosmo Software Vice President of Natural Interactive Software and Services Dept. of Microsoft Corporate Vice President of Microsoft Corp. Global Vice President and President of Greater China, Google Inc.	Chairman and CEO of Innovation Works Non-Executive Director of Meitu Inc.

Independent Director	Republic of China	Wang, Kuo-cheng	Jan 31, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Graduated from Business Administration, National Taiwan University EMBA Business Administration, National Taiwan University Chairman of Les enphants Co. Ltd Executive Director of Chain Stores and Franchise Association Executive Director of Marketing Communication Executive International Executive Director of Taiwan Excellent Brand Association	Independent Director of Member of Audit Committee Member of HannStar Board Corporation Independent Director of Member of Audit and Remuneration Committee Member of APEX MEDICAL CORP Remuneration Committee of Koryo Electronics Co., Ltd. Member of Remuneration Committee of E & E Recycling Supervisor of GGA Corp.
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Notes:

1. Directors (including Independent Directors) were elected and appointed on June 22, 2016, and took office on July 1, 2016 for a term of 3 years.
2. Independent Director Fu, Li-chen resigned on October 18, 2017, Wang, Kuo-cheng was appointed new Independent Director on January 31, 2018

**(4) Major shareholders of institutional shareholders**

Date: 4/24/2018

<b>Name of Institutional Shareholder</b>	<b>Name of Major Shareholders</b>	<b>Percentage</b>
Hon Chiao International Investment Co., Ltd.	Outstanding Growth Ltd., British Virgin Islands	90.99%
	Hsian Chin International Investment Co., Ltd	4.60%
	Shun-Hsin International Investment Co., Ltd.	4.41%
Hon Jin International Investment Co., Ltd.	Hongyuan International Investment Co., Ltd.	50%
	Hongqi International Investment Co., Ltd.	50%

**(5) Principal shareholder of corporate shareholders with a juridical person as its major shareholder**

Date: 4/24/2018

<b>Name</b>	<b>Major shareholders</b>	<b>Percentage</b>
Outstanding Growth Ltd., British Virgin Islands	Jumboelite Holdings Limited	100%
Hsian Chin International Investment Co., Ltd	Allgreat Overseas Limited	50%
	Shun-Hsin International Investment Co., Ltd.	50%
Shun-Hsin International Investment Co., Ltd.	Atlanta Federation Limited	97.33%
	Hsian Chin International Investment Co., Ltd	2.27%
Hongyuan International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%
Hongqi International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%

## (6) Professional knowledge and independence check matrix of directors

Qualification  Name	Has over five years work experience and following professional qualifications			Independence Attribute (See Notes Below)										Concurrent independent director position in other publicly traded companies
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
Gou, Tai-ming			✓					✓	✓	✓	✓	✓	✓	0
Lu, Fang-ming			✓			✓	✓	✓	✓	✓	✓	✓		0
Chen, Jen-gwo			✓			✓	✓	✓	✓	✓	✓	✓		0
Mao, Robert			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Huang, Qing-yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Sung, Hsueh-jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chan, Chi-shean			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lee, Kai-fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Kuo-cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

**Notes:** The Directors comply with the following conditions from two years before being elected and appointed, and during his tenure in office:

- (1) Not an employee of this Company or its affiliates
- (2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company, its parent company, or any subsidiary in which the company directly or indirectly holds more than 50% of the voting shares.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- (4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.
- (7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership, company, or institution. However, this does not apply to the members of the Compensation Committee who perform their duties based on article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".
- (8) Not a spouse or a second-degree relative of any other Director of the Company.
- (9) No violations of Article 30 of the Company Act.
- (10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

Diversity within the members of the Board of Directors:

Items \ Name	Management	Leadership & decision-making	Industry	Financial accounting	Finance	Environmental protection	Medical
Gou, Tai-ming	✓	✓	✓				
Lu, Fang-ming	✓	✓	✓				
Chen, Jen-gwo	✓	✓	✓			✓	
Mao, Robert	✓	✓	✓				
Huang, Qing-	✓	✓		✓	✓		
Sung, Hsueh-jen	✓	✓	✓	✓	✓		
Chan, Chi-shean	✓	✓					✓
Lee, Kai-fu	✓	✓	✓				
Wang, Kuo-cheng	✓	✓	✓				

**(7) Management Team Information**

4/24/2018

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Chairman and President	Republic of China	Terry Gou	Feb. 20, 1989	1,621,848,148	9.36	0	0	0	0	Graduated from China Marine Technical College Director of Taiwan Electrical Appliances Equipment Association Chairman of Mold Industry Association	None	None	None	None
Department General Manager	Republic of China	You, Xiang-fu	May 27, 1992	37,141,926	0.21	33,393,330	0.18	0	0	Graduated from Tamsui Institute of Business Administration, Taiwan	Chairman of FuSheng New Energy Teconology (Danjiangkou) Chairman of Dongying Xiexin Photovoltaic Technology Co., Ltd. President of Fuyu Energy Technology (Kunshan) Co., Ltd. Chairman of FuYang New Energy Technology (Nanyang) Chairman of Dongying Xiexin Photovoltaic Technology Co., Ltd. President of FuYuSheng (Zhengzhou) Energy Technology Co., Ltd. President of FuYucheng (Zhengzhou) Agricultural Biotechnology Co., Ltd Director of Jiashan Fusheng New Energy Co., Ltd.	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Department General Manager	Republic of China	Lu, Fang-ming	Apr. 1, 2003	7,915,976	0.05	1,758,765	0.01	0	0	Master's Degree of Institute of Applied Physics, Chung-Yuan Christian University Taiwan General Manager of Asia-Pacific Region, Lingyun Science and Technology Co., Ltd. General Manager of Taiwan Computer System, Hewlett Packard	Chairman of Asia Pacific Telecom	None	None	None
Department General Manager	Republic of China	Chien, Yi-bin	Jun. 1, 2005	1,085,124	0.01	0	0	0	0	International Trade Department of Tamkang University, Taiwan	President of Wuhan City FuLian Internet Trading Company Ltd. Direcotr of Expressive Profits Incorporated.	None	None	None
Department General Manager	Republic of China	Xu, Mu-ji	Jun. 1, 2005	5,025,486	0.03	0	0	0	0	Graduated from National Chin-Yi University of Technology, Taiwan	None	None	None	None
Department General Manager	Republic of China	Ling, Zhi-ping	Jan. 21, 2009	1,839,401	0.01	0	0	0	0	Enterprise Research Institute of University of Washington, U.S.A. School of Business, Taiwan University	Directors of JianHan Technology (shares) Company Director of Guozhou Electronic (Shanghai) Co., Ltd. Director of Amtec (Shanghai) Holdings Ltd.	None	None	None

Title	Nationality	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Financial Director	Republic of China	Huang, De-cai	Apr. 15, 1998	1,349,408	0.01	0	0	0	0	Graduated from National Chiao Tung University, Taiwan Financial director of Vanguard International Semiconductor Corporation Manager of Taiwan Philip Co. Company	Chairman of Hongyang Venture Capital Investment Co., Ltd., FuZhiFu Information Technology (Shenzhen) Co., Ltd. Director of Fu Rui International Investment Co., Ltd., Innolux Corp., Hon Chiao International Investment Co., Ltd., Hon Chi International Investment Co., Ltd., Bao Xin International Investment Co., Ltd. efeihu.com eCommerce (Chengdu) Co., Ltd., efeihu.com eCommerce (Wuhan) Co., Ltd., Zhong Yuan Rong Chuang Foundation Management (Henan) Co., Ltd., Zhong Yuan (Henan) Financing and Rental Co., Ltd. Director of Zhong Yuan (Henan) Financing and Insurance Co., Ltd. Director of Jinchangzhi Technology (Shenzhen) Co, Ltd. Fu Xun Tong Trading (Shenzhen) Co., Ltd, fFulong Credit Loan (Shenzhen) Co, Ltd. Zhunshida International Supply Chain Management Co., Ltd. Foxconn (Far East) Limited (Cayman), Foxconn (Far East) Limited (HK), Foxtex Holdings Inc., Foxtex Integration, Inc., HCM International Company Supervisor of Liyi International Investment Co., Ltd. Hongyuan International Investment Co., Ltd. Hongjing Investment Co., Ltd.	None	None	None

Title	National ity	Name	Inauguration date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
				Number	%	Number	%	Number	%			Title	Name	Relation
Accounting Director	Republic of China	Chou, Zong- kai	Jul. 20, 2000	400	0	0	0	0	0	Master's Degree in accounting, Long Island University Manager of Deloitte & Touche, Taiwan Lecturer of Hsing Wu University ,Taiwan	Director of Apex Gold Limited, China Galaxy Enterprises Limited, FAS International Holdings Pte. Ltd., , High Precision Holdings Limited, , Operate Technology Limited, Precision Technology Investments Pte. Ltd.	None	None	None

**(8) Remuneration paid to Directors and management team in the most recent fiscal year**

**a) Remunerations of Directors**

Unit: NT\$000

			Director	Director	Director	Director	Director	Independent Director	Independent Director	Independent Director
Name (Note 2 & 3)			Gou,Tai-ming (Terry Gou)	Hon Jin International Investment Co., Ltd. Representative: Lu, Fang-ming	Hon Chiao International Investment Co., Ltd. Representative: Tai, Jeng-wu (resigned) Representative: Mao, Robert Chen, Jen-gwo	Huang, Qing- yuan	Sung, Hsueh- jen	Chan, Chi-shean	Lee, Kai-fu	Fu, Li-chen (resigned)
Compensation of Directors	Remunerations (A)	The Company	11,750							
		All companies within the consolidated	11,750							
	Retirement allowance (B)	The Company	0							
		All companies within the consolidated	0							
	Remuneration from distribution of earnings (C)	The Company	0							
		All companies within the consolidated	0							
	Business execution expenses (D)	The Company	1,567							
		All companies within the consolidated	1,567							
Percent of A, B, C and D to net profit after tax		The Company	0.0096							
		All companies within the consolidated	0.0096							
Relevant remuneration of part-time personnel	Remuneration, money award and special expenses etc.	The Company	96,000							
		All companies within the	102,072							

	(E)	statement	
	Retirement allowance (F)	The Company	0
		All companies within the consolidated financial statement	0
	Employee profit sharing from earnings distribution (G) (Note 1)	The Company	Cash dividends 165,028
			Stock dividends 0
		All companies within the consolidated financial statements	Cash dividends 165,028
			Stock dividends 0
Percent of A, B, C, D, E, F and G to net profit after tax		The Company	0.1977
		All companies within the consolidated financial statement	0.2021
Is there any remuneration from other invested businesses apart from subsidiaries			None
Compensation to Directors of the most recent year for services provided for the companies in the financial statements (e.g. non-employee consultant position) except listed above: None.			

Notes:

1. NT\$10,239,389,000 is set aside for employee remuneration for 2017 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.
2. Jeng-wu Tai, representative of Hon Chiao International Investment Co., Ltd., resigned on April 21, 2017. Mao, Robert was appointed new representative by Hon Chiao International Investment Co., Ltd.. Their remunerations are thus not included in the calculation.
3. Independent Director Fu, Li-chen resigned on October 18, 2017, Wang, Kuo-cheng, was appointed new Independent Director on January 31, 2018

### Range of Remunerations

Range of remunerations paid to directors	Names of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies involved in financial statement (H)	The Company	All companies in the financial statement (I)
Under NT\$2,000,000	Terry Gou Hon Chiao International Investment Co., Ltd., Tai, Jeng-wu (resigned), Chen, Jen-gwo Hon Jin International Investment Co., Ltd., Lu, Fang-ming, Sung , Hsueh-jen Fu, Li-chen(resigned)	Terry Gou Hon Chiao International Investment Co., Ltd., Tai, Jeng-wu (resigned), Chen, Jen-gwo Hon Jin International Investment Co., Ltd., Lu, Fang-ming, Sung , Hsueh-jen Fu, Li-chen(resigned)	Terry Gou Hon Chiao International Investment Co., Ltd Hon Jin International Investment Co., Ltd. Sung , Hsueh-jen Fu, Li-chen(resigned)	Terry Gou Hon Chiao International Investment Co., Ltd Hon Jin International Investment Co., Ltd. Sung , Hsueh-jen Fu, Li-chen(resigned)
NT\$2,000,000 (included) ~ NT\$5,000,000 (excluded)	Mao, Robert , Huang, Qing-yuan Chan, Chi-shean., Lee, Kai-fu	Mao, Robert , Huang, Qing-yuan Chan, Chi-shean., Lee, Kai-fu	Mao, Robert , Huang, Qing-yuan Chan, Chi-shean., Lee, Kai-fu	Mao, Robert , Huang, Qing-yuan Chan, Chi-shean., Lee, Kai-fu
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	-	-	-	-
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	-	-	Tai, Jeng-wu (resigned)	Tai, Jeng-wu (resigned)
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	-	-	Chen, Jen-gwo	Chen, Jen-gwo
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	-	-	-	-
Over NT\$100,000,000	-	-	Lu, Fang-ming	Lu, Fang-ming
Total	12	12	12	12

Notes:

1. Jeng-wu Tai, representative of Hon Chiao International Investment Co., Ltd., resigned on April 21, 2017. Robert Mao was appointed new representative by Hon Chiao International Investment Co., Ltd. Remunerations were calculated as of April 21, 2017.
2. Independent Director Li-chen Fu resigned on October 18, 2017. Remunerations were calculated as of October 18, 2017

**b) Remunerations paid to the management team**

Unit: NT\$Thousand

Title	Name (Note2)	AQ		Retirement allowance (B)		Money award and special payment etc. (C)		Earning distribution as dividends for personnel (D) (Note)				Rate of total amount of A, B, C and D to pure profits after tax (%)		Remuneration from other invested businesses apart from subsidiaries.
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company		All companies involved in financial statement		The Company	All companies in the financial statement	
								Cash Dividend s	Stock Dividend s	Cash Dividend s	Stock Dividend s			
General Manager	Terry Gou	12,087	12,087	455	455	173,983	173,983	343,649	0	343,649	0	0.3821	0.3821	-
Department General Manager	You, Xiang-fu													
Department General Manager	Tai, Jeng-wu													
Department General Manager	Lu, Fang-ming													
Department General Manager	Chien, Yi-bin													
Department General Manager	Xu, Mu-ji													
Department General Manager	Ling, Zhi-ping													
Deputy Department General Manager	Xiong, Bing-zheng													
Head Office General Manager	Li, Jin-ming													
Financial Director	Huang, De-cai													
Accounting Director	Chou, Zong-kai													

Notes 1. NT\$10,239,389,000 is set aside for employee remuneration for 2017 according to the resolution of the Board of Directors. It was calculated used last year's actual allocation ratio.

Notes 2. Bing-zheng Xiong resigned on 4/19/2017, respectively. General Manager Chin-ming Lee retired on June 30, 2017, and Jeng-wu Tai was relieved of his duty as of April 17, 2018. Their remunerations are thus not included in the calculation

**Range of Remunerations**

Range of remuneration paid to general managers and deputy general managers	Names of General Managers and Deputy General Managers	
	The Company	All companies in the financial statement (E)
Under NT\$2,000,000	Terry Gou, You, Xiang-fu , Xiong, Bing-zheng	Terry Gou, You, Xiang-fu , Xiong, Bing-zheng
NT\$2,000,000 (included) ~ NT\$5,000,000 (excluded)	-	-
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	-	-
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	Tai Jeng-wu, Chou Zong-kai	Tai Jeng-wu, Chou Zong-kai
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	Xu Mu-ji , Chien, Yi-bin ,Ling Zhi-ping, Huang De-cai	Xu Mu-ji , Chien, Yi-bin ,Ling Zhi-ping, Huang De-cai
Over NT\$100,000,000	Lu Fang-ming	Lu Fang-ming
Total	13	13

**(c) Employee profit sharing granted to the management team**

**Unit: NT\$000**

	<b>Title</b>	<b>Name</b>	<b>Stock Dividends (Note)</b>	<b>Cash Dividends (Note)</b>	<b>Total</b>	<b>Proportion of total amount to net profits after tax (%)</b>
<b>Management team</b>	General manager	Terry Gou	0	343,649	343,649	0.2477
	Department General Manager	You, Xiang-fu				
	Department General Manager	Lu, Fang-ming				
	Department General Manager	Chien, Yi-bin				
	Department General Manager	Xu, Mu-ji				
	Department General Manager	Ling, Zhi-ping				
	Financial Director	Huang, De-cai				
	Accounting Director	Chou, Zong-kai				

Note: As of the printing date of this Annual Report, the distribution list of employee profit sharing has not been fixed, and shall be proposed as stipulated according to the actual distribution of last year

**(d) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years**

Item  Title	Proportion of the total compensation to net profit after tax %			
	2017 (Note)		2016	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors	0.198	0.202	0.178	0.181
Supervisors	-	-	0.001	0.001
General Managers and Deputy General Managers	0.382	0.382	0.451	0.452

Note: The amount of employee profit sharing in 2017 shall be proposed as stipulated according to the actual distribution of 2016.

**(e) Procedures for payment and relevance with operation performance and future risks**

- (i) According to the distribution of earnings as stipulated by Articles of Incorporation of the Company, there is no compensation distributed to Directors or Supervisors except employee compensation.
- (ii) In the past two years, the remunerations paid to general managers and deputy general managers are salaries, bonuses, and staff compensation. The salaries and bonuses are paid according to the relevant personnel-related provisions of the Company. The staff compensation is provided by the Company's Articles of Incorporation. In case of the Company has made a profit, 5% to 7% of the profit shall be set aside for staff compensation. The Board of Directors shall pass a resolution based on the annual profit distribution conditions and provisions provide by the Articles of Incorporation, and submit a report to the shareholders' meeting.
- (iii) According to the Company's policy for compensation, reasonable compensation shall be paid based on job evaluation of the personnel in the Company.

## B. Implementation of corporate governance

### (1) Information on implementation of Board of Directors

Seven meetings were held by the Board of Directors in the most recent year (2017) with their attendance shown as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Chairman	Terry Gou	1	6	14.29%	-
Director	Representative of Hon Chiao International Investment Co., Ltd.: Robert, Mao	5	1	83.33%	Assumed office on April 21,
Director	Representative of Hon Chiao International Investment Co., Ltd.: Chen, Jen-gwo	5	2	71.43%	-
Director	Representative of Hon Jin International Investment Co., Ltd.: Lu, Fang-ming	7	0	100%	-
Director	Huang, Qing-yuan	7	0	100%	-
Director	Sung, Hsueh-jen	6	0	85.71%	-
Independent Director	Chan, Chi-shean	6	0	85.71%	-
Independent Director	Lee, Kai-fu	1	5	14.29%	-
Independent Director	Fu, Li-chen	4	0	100%	Resigned on Oct.18,2017

Other noteworthy matters:

1. State the Board Meeting's date, session, proposal contents, all Independent Directors' opinions and the Company's actions in response to the opinions if any of the following occurred:
  - 1.1. Matters specified in Article 14.3 of Taiwan's Securities and Exchange Act: The Company established Audit Committee on July 1, 2016. The items relating to Article 14.3 are listed as following:
    - 1.1.1. On March 310, 2017, the 16<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors approved the following items:
      - 1.1.1.1. Increase in investment in subsidiary Foxconn Holdings Limited (British Virgin Islands);
      - 1.1.1.2. Increase in investment in Singapore subsidiary Foxconn Singapore Pte. Ltd.
      - 1.1.1.3. Investment in Nanjing Hongfu Xia Precision Electronics.
      - 1.1.1.4. Investment in and establishment of Faster Union Information Technology(Shenzen)Co.,Ltd.
      - 1.1.1.5. Increase in investment in Zhengyi Longhua Special Materials (Shenzen)Co., Ltd.
      - 1.1.1.6. Investment in Mobai(Beijing) Information Technology Co.,Ltd.
      - 1.1.1.7. Increase in investment in Kunshan Nano Environment Technology Co.,Ltd.
      - 1.1.1.8. Investment in and establishment of Kunshan Nano Environment Technology Co.,Ltd.
      - 1.1.1.9. Acquisition of equipment.

- 1.1.2. On May 12, 2017, the 5<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved the following items:
  - 1.1.2.1. The audit and certification of the Company's 2017 Financial Statements was done by PwC Taiwan. Assessment of the public certified accountant's independence and accounting service fees.
  - 1.1.2.2. In order to raise long-term funds, domestic unsecured corporate bonds are issued.
  - 1.1.2.3. Issue 2017 1<sup>st</sup> overseas non-guaranteed convertible corporate bonds.
  - 1.1.2.4. In 2013, Group established the Medium Term Note ( "MTN Program") based on the overall financial plan. , issuer Foxconn (Far East) Limited (Cayman) and Competition Team Technologies Limited (Bahamas).The issue amount of MTM Program was raised from USD 3.5 billion to 5 billion. And the total amount issued by the company to the issuer.
  - 1.1.2.5. The company raised the investment 100% of its subsidiary Foxconn Holding Limited
- 1.1.3. On Aug 11, 2017, the 7<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved the following items:
  - 1.1.3.1 For the company's overseas subsidiary Falcon Precision Trading Limited applied the short-term turnover amount RMB400 million (or the equivalent of USD) from Mega International Commercial Bank renewal provides endorsement
  - 1.1.3.2 Increase in investment in Foxconn Holding Limited (British Virgin Islands subsidiary)
  - 1.1.3.3 Indirectly Increase in investment Nanjing Hongfu Xia Precision Electronics. °
  - 1.1.3.4 Change audit supervisor
- 1.1.4. On Nov 14, 2017, the 8<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved the following items:
  - 1.1.4.1 For the subsidiary Fushen Real Estate (Shanghai) Co., Ltd. and Costco Wholesale The obligations under the "Leasing Agreement" signed by International, Inc. Provide endorsement guarantee.
  - 1.1.4.2 The "tax allowance" signed for the subsidiary AFE Inc, Wisconsin Economic Development Corporation The obligation stipulated in the "Contract" provides assurance
  - 1.1.4.3 Increase in investment in Foxconn Holding Limited, a British Virgin Islands subsidiary
  - 1.1.4.4 Invest in the establishment of Yuankang (Shenzhen) Agricultural Biotechnology Co., Ltd. case.
  - 1.1.4.5 Disposal of machinery and equipment.
  - 1.1.4.6 Disposal of Machinery and Equipment Recognition
- 1.1.5 On Dec 13, 2017, the 9<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved the following items:
  - 1.1.5.1 Approved Foxconn Industrial Internet Co., Ltd., a subsidiary of the company investing in RMB common stock (A shares) and applying for listing on the Shanghai Stock Exchange.
  - 1.1.5.2 Indirectly invested in FIH Mobile (Nanjing) Co., Ltd.
  - 1.1.5.3 Indirectly invested in FIH Mobile (Nanjing) Smart Technology Co., Ltd.
  - 1.1.5.4 Indirectly invested in Lianpian Technology(Shenzen)Co.,Ltd
  - 1.1.5.5 Indirectly invested in Fu Sheng Optoelectronics Technology(Kunshan)Co.,Ltd
  - 1.1.5.6 Indirectly invested in Guangxi Hongzhiyu Investment Management Co.,Ltd.
- 1.1.6 On Dec 29, 2017, the 9<sup>th</sup> meeting of the 10<sup>th</sup> Board of Directors approved the following items: The company disposes of the company's Sharp Corporation Class C Special Shares.
- 1.2. Other proposals beside the abovementioned on which Independent Directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: None.
2. Avoidance of conflict of interest by Directors: Directors:
  - 2.1. Ratification of 2016 yearend bonus and performance bonus for manages on March 31, 2017: Tai-ming Gou, ( attended by proxy- Fang-ming Lu,) Fang-ming Lu, voided the discussion.
3. Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors (such as setting of an audit committee and improvement of information transparency etc.) for current and immediately past years: Audit Committee was established.

Attendance of Independent Directors at 2017 Board of Directors Meetings:

◎ = attended in person; ☆ = attended by proxy; \* = did not attend

	Mar. 31	May 11	May 19	Aug. 11	Nov. 14	Dec. 13	Dec. 29
Chan, Chi-shean	◎	◎	*	◎	◎	◎	◎
Lee, Kai-fu	☆	☆	*	☆	☆	☆	◎
Fu, Li-chen	◎	◎	◎	◎	-	-	-

**(2) Information on operation of Audit Committee:**

Seven meetings were held by the Audit Committee in the recent year (2017) with Independent Directors' attendance shown as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person	Remarks (Note 1)
Independent Director	Lee, Kai-fu	3	4	42.86%	-
Independent Director	Chan, Chi-shean	7	0	100%	-
Independent Director	Fu, Li-chen	4	0	100%	Resigned on 18 Oct, 2017

Other noteworthy matters:

1. When one of the following situations occurred to the operations of the Audit Committee, state the date, period, proposal contents and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee:
  - 1.1. Matters specified in Article 14-5 of Securities and Exchange Act: Approved by Audit Committee and proposed to the Board Meeting:
    - 1.1.1. On Mar.31<sup>st</sup>, 2017, the 4<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved:
      - 1.1.1.1. 2016 consolidated financial statements;
      - 1.1.1.2. Increase in investment in subsidiary Foxconn Holdings Limited (British Virgin Islands);
      - 1.1.1.3. Increase in investment in Singapore subsidiary Foxconn Singapore Pte. Ltd.
      - 1.1.1.4. Approved the company's 2016 annual internal control statement.
      - 1.1.1.5. Amendments of 'Regulations Governing the Acquisition and Disposal of Assets'
      - 1.1.1.6. Acquisition of equipment.
    - 1.1.2. On May 11<sup>th</sup>, 2017, the 5<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved:
      - 1.1.2.1. The audit and certification of the Company's 2017 Financial Statements was done by PwC Taiwan. Assessment of the public certified accountant's independence and accounting service fees
      - 1.1.2.2. Issue 2017 1st unsecured overseas convertible corporate bonds;
      - 1.1.2.3. A Medium Term Note issuance platform (hereinafter "MTN Program") was set up by the Group in 2012 to meet overall financial planning, and the Company's subsidiary Foxconn (Far East) Limited (Cayman) and/or Competition Team Technologies Limited (Bahamas) (hereinafter "Issuer") has issued foreign currency-denominated bonds, in which the Company acted as a guarantor. Currently, MTN Program's total issuance limit is proposed to be raised to US\$5 billion from US\$3.5 billion, and the Company will provide guarantee for the Issuer for the foreign currency-denominated bonds issued this time, whether in US Dollars or other foreign currencies;
      - 1.1.2.4. The motion for the Company's 100%-owned subsidiary, Foxconn Holding Limited to increase capital to US\$10 billion.
    - 1.1.3. On Aug 11<sup>th</sup>, 2017, the 7<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved:
      - 1.1.3.1. 2017.Q2 financial report
      - 1.1.3.2. Increase in investment in subsidiary Foxconn Holdings Limited (British Virgin Islands);
      - 1.1.3.3. indirect investments in Nanjing Hongfusharp Precision Electronics Co., Ltd
      - 1.1.3.4. Change audit supervisor
    - 1.1.4. On Nov 14<sup>th</sup>, 2017, the 8<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved:
      - 1.1.4.1. Provided guarantee for Fuyu Properties (Shanghai)'s obligations in the lease agreement signed between subsidiary Fuyu Properties (Shanghai) Co., Ltd. and Costco Wholesale International, Inc
      - 1.1.4.2. Provided guarantee for obligations from AFE Inc, in the Tax Incentive Contract signed between subsidiary AFE Inc, with Wisconsin Economic Development Corporation
      - 1.1.4.3. Increase in investment in subsidiary Foxconn Holdings Limited (British Virgin Islands);
      - 1.1.4.4. Amendment to the Company's internal audit system for 2018
      - 1.1.4.5. Disposal of machinery and equipment.
      - 1.1.4.6. Ratified disposal of machinery and equipment.
    - 1.1.5. On Dec 13<sup>th</sup>, 2017, the 9<sup>th</sup> meeting of the 16<sup>th</sup> Board of Directors approved:
      - 1.1.5.1 Approved Foxconn Industrial Internet Co., Ltd., a subsidiary of the company investing in RMB common stock (A shares) and applying for listing on the Shanghai Stock Exchange.
      - 1.1.5.2 Indirectly invested in FIH Mobile (Nanjing) Co., Ltd.
      - 1.1.5.3 Indirectly invested in FIH Mobile (Nanjing) Smart Technology Co., Ltd.
      - 1.1.5.4 Indirectly invested in Lianpian Technology(Shenzhen)Co.,Ltd
      - 1.1.5.5 Indirectly invested in Fu Sheng Optoelectronics Technology (Kunshan) Co., Ltd.
      - 1.1.5.6 Indirectly invested in Guangxi Hongzhiyu Investment Management Co., Ltd.
    - 1.1.6 On Dec 29, 2017, the 9th meeting of the 10th Board of Directors approved the following items:
      - motion for disposal of the Company's Type C preferred shares in Sharp Corporation
  - 1.2. Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item: None.
2. Ways in which Independent Directors have recused themselves from motions that pose a conflict of interest, the Independent Director's name, the content of the motion, cause of the conflict of interest, and the circumstances of the vote that shall be elaborated: None.
3. Communication between Independent Directors, head of internal audit, and CPA (including communication methods and results for material issues and the Company's finances and businesses):
  - 3.1. Communication policy for Independent Directors and head of internal audit:

The head of the internal audit and Independent Directors shall hold at least one regular audit committee

meeting per quarter, and submit the audit report and inadequacy tracking report for the previous month by the end of the current month. The reports shall be proposed based on the Company's annual audit plan execution status and the internal control inadequacy tracking status. Meetings shall be held at any time if a major and unusual event occurs.

3.2. Summary of previous communications between Independent Directors and the head of internal audit:

3.2.1. Quarterly 2017 audit report.

3.2.2. The audit report and inadequacy tracking report are submitted to the independent directors for review in Monthly 2017.

3.2.3. The head of internal audit reported and provided subsequent responses based on the questions raised by the participating Directors.

3.3. Communication policy for Independent Directors and the head of internal audit:

3.3.1. In addition to holding at least two regular meetings each year, the Independent Directors of the Audit Committee and the CPA must also conduct communications and discussions in writing, and the scope of which shall include the independence and relevant liability, review of the planning related matters, checks for major discoveries (including the adjusted entries, clear internal control deficiencies, etc.), and review of the inspection

report contents as well as the interim financial statements of the consolidated financial statements issued by the CPA audit team.

3.3.2. The Audit Committee shall complete a review report based on the consolidated financial statements examined by the CPA and the audit opinion report.

3.4. Summary of previous communications between Independent Directors, auditors, and CPA:

3.4.1. CPA to explain content of audited 2016 Consolidated Financial Statements and material audit findings (including adjusting journal entries and significant deficiencies in internal control) and Audit Report during the meeting

3.4.2. Review and communicate CPA's responsibility and independence in auditing 2016 Consolidated Financial Statements.

3.4.3. CPA to explain content of audited Q2 2017 Consolidated Financial Statements and audit report..

3.4.4. CPA to explain content of audited Q3 2017 Consolidated Financial Statements and audit report.

3.4.5. CPA to explain content of audited 2017 Consolidated Financial Statements and material audit findings (including adjusting journal entries and significant deficiencies in internal control) and Audit Report during the meeting.

3.4.6. Review and communicate total impacts from the 2018 IFRSs approved by the Financial Supervisory Commission (FSC) on the Company's Consolidated Balance Sheet as of January 1, 2018

3.4.7. Review and communicate CPA's responsibility and independence in auditing 2017 Consolidated Financial Statements.

**(3) The difference between the corporate governance implementation and the  
Corporate Governance Best Practice Principles for TWSE/GTSM-Listed  
Companies and reasons:**

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM- Listed Companies and reasons
	Yes	No	Description	
1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM-Listed companies?	✓		The Company has set a corporate governance code of practice, for the protection of shareholders' rights, to strengthen the functions of the BOD, respect the interests of stakeholders, enhance the transparency of information and relevant rules. Detailed information can be found on the Company's website.	No difference
2. Equity structure and shareholder rights (1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? (2) Does the Company have a list of those who ultimately control the major shareholders of the Company? (3) How does the Company establish its risk management mechanism and firewalls involving related enterprises? (4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	✓  ✓  ✓  ✓		(1) The Investor Relations Department is dedicated to processing shareholder proposals or disputes.  (2) The Company has a list of major shareholders and who ultimately controls them and discloses this information pursuant to the laws.  (3) The Company has established appropriate internal risk control mechanisms and firewalls, pursuant to the rules for specific companies or groups related business operations and financial transactions, supervision measures for subsidiaries, rules of endorsement and guarantee, loans to others and guidelines for acquisition or disposition of assets. Business relations between affiliated enterprises have been evaluated by an independent third party to prevent violations of unlawful transactions.  (4) The Company has set operating procedures and critical control points to prevent insider trading.	No difference
3. Organization and responsibilities of the Board of Directors (1) Does the Board of Directors set and implement a diversification policy?  (2) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee?	✓  ✓		(1) The Company has set "Corporate Governance Practical Principles" to ensure boards' diversity. The company's BOD has adopted nomination system. The members of the BOD are diversified and possess technology and finance backgrounds and experience of management practices in order to build the whole structure of the Company's Board of Directors.(Please refer to page 12 for board members' professions and independence)  (2) The Company set up two independent directors and a Compensation Committee, has also set up the FGSC Committee, Energy-saving	No difference

Item	Implementation Status			Difference from <i>Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and reasons</i>
	Yes	No	Description	
<p>(3) Has the Company set performance assessment rules and methods for the BOD and does it perform this evaluation every year?</p> <p>(4) Does regularly evaluate the independence of the CPA?</p>	<p>✓</p> <p>✓</p>		<p>Technology Development Committee, Employee Benefits Committee and Employee Retirement Reserves Oversight Committee; other functional committees will be set up depending on future needs.</p> <p>(3) The Company's Procedures did not instill incentives for directors, and the Company directors will only be compensated for fixed compensations such as attendance fees, and variable incentives will not be appropriated.</p> <p>(4) The Company regularly assesses the performance and independence of the CPA through the BOD. The recommended CPA is required to provide CVs and declarations (not in violation of Ethical Standards Publication No. 10) for the BOD to discuss the appointment and independence of the CPAs.</p>	
<p>4. Does the TWSE/TPEX listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)?</p>	<p>✓</p>		<p>The Company has established full-time personnel responsible for corporate governance related matters.</p> <p>Primary responsibilities include providing information needed by the Board of Directors to carry out its functions, assisting directors in legal compliance, and processing matters relevant to convening Board meetings and Shareholders' Meetings pursuant to relevant laws. 2017 implementations and results include the following:</p> <p>1. Assist independent and non-independent directors to carry out their duties:</p> <p>a. Regularly notify Board members on the latest legal amendments and developments regarding company management and corporate governance.</p> <p>b. Inspect level of information secrecy and provide company information needed by the Board, maintaining smooth bi-lateral communications between directors and various business managers.</p> <p>c. Pursuant to the corporate governance code of practice, when independent directors need meet with internal audit supervisors in private to understand the Company's financial status, the designated personnel shall assist to arrange such meetings.</p> <p>2. Assist in procedures and resolutions of the Board of Directors and Shareholders' Meeting to comply with relevant legal regulations:</p> <p>a. Report implementations of corporate governance to the Board, independent directors,</p>	<p>No difference</p>

			<p>, and the Audit Committee to ensure that the Company's Shareholders' Meeting and Board are in compliance with relevant laws and corporate governance practice principles.</p> <p>b. Assist or remind the Board to comply with relevant legal regulations when performing relevant duties or while making resolutions, and to propose opinions before the Board forms an illegal resolution</p> <p>c. Responsible for reviewing the announcement for material decisions made by the Board to ensure the content of the announcement is in compliance with the law.</p> <p>3. Maintain shareholder relations: arrange directors to interact and communicate with major shareholders, institutional investors or minority shareholders as needed, to ensure that investors can receive adequate information in deciding the capital market value of the Company and to maintain decent shareholders' rights.</p> <p>4. Propose the agenda of the Board of Directors meeting and to notify the directors seven days prior to the designated date of meeting. Convene the meeting and provide information for the meeting. Notify the Board members to abstain from certain motions if conflict of interest is anticipated before the meeting, and to complete minutes to the Board meeting within 20 days after the meeting.</p> <p>5. Process filing of Shareholders' Meeting and to produce meeting notice within the legally-stipulated deadline, meeting agenda, meeting minutes, and to file for changes when amendment of the Company's Articles of Incorporation or Procedures of Elections for Directors shall take place.</p>	
5. Does the Company establish communication channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	✓		The Company has set "Stakeholder Zone" and have the contact information for stakeholders to on its website to respond to major concerns regarding corporate social responsibilities from stakeholders.	No difference
6. Has the company appointed a professional stock affairs agency for shareholders affairs?	✓		The Company authorized "Fubon Securities Co., Ltd." as stock service agency to handle shareholder transactions.	No difference
7. Disclosure of information				
(1) Does the Company set up website to disclose financial operations and corporate governance information?	✓		(1) The Company has placed financial and corporate governance information of each year on its website.	No difference
(2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	✓		(2) The Company has an English website and a spokesperson, investor relations department and shareholder services department to disclose relevant information. The Company issued global depository receipts (GDR) in London, and discloses company information on its website according to the provisions of the relevant rules of the London Stock Exchange.	

Item	Implementation Status			Difference from <i>Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and reasons</i>
	Yes	No	Description	
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		<p>(1))Interests and rights of employees: The Company has always treated employees in good faith to ensure their legal interests and rights in accordance with the Labor Standards Act.</p> <p>(2)Care for employees: by adopting a welfare system and good education and training, a relationship of mutual trust has been established with employees. Such as: employee benefits and community cultural and recreational activities and entertainment, health clinic grants and medical advice, the Company also provides staff quarters, rented accommodations for staff, accommodation care, parking lots, etc.</p> <p>(3) Investor Relations: the Investor Relations Department was set up to specifically deal with shareholder proposals.</p> <p>(4))Supplier Relationship: good relations with suppliers are maintained at all times.</p> <p>(5)Relations with stakeholders: stakeholders shall communicate with the Company and put forward proposals to protect their due legal rights and interests.</p> <p>(6)Continuing education of directors and supervisors: the Company's directors are qualified with industrial professional knowledge and practice experience in operation management. Please refer to the following table for more information on continuing education (please refer to the table below for specific case studies).</p> <p>(7)Execution of risk management policy and risk measuring standards: various internal regulations are established legally for various risk management and evaluation.</p> <p>(8))Execution of customer policies: stable and good relations with customers are maintained with the view of creating profits.</p> <p>(9)Liability insurance for the Company's directors and supervisors: liability insurance has been covered for directors and supervisors.</p>	No difference
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.				
<b>Evaluation Indicators</b> Does the company have a dedicated unit/staff member in charge of the Company' corporate governance affairs, The website of the company explains the operation and implementation of the setting unit.			<b>Priority items to be improved and measures</b> The Company has provided more detailed explanation of the dedicated unit and provided detailed explanations for implementations of its operations.	

## Continuing education of Directors in 2017

Title	Name	Date	Organizer	Course	Hours
Director	Mao, Robert	2017/08/09	Taiwan Corporate Governance Association	Revolution in Audit Report	3
		2017/08/09	Taiwan Corporate Governance Association	How Should Directors and Supervisors Supervise A Company's Risk Management and Crisis Management	3
Director	Huang, Qing-yuan	2017/03/30	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	US Tax Trends and Impact on Taiwanese Enterprises and Implementation	3
		2017/05/12	Taiwan Corporate Governance Association	Corporate Governance & Securities Regulations	3
		2017/11/01	Taiwan Corporate Governance Association	Board of Directors and Supervisors Operational Practice and Corporate Governance Seminar – Training for Prevention of Money Laundering and Countering Terrorist Finance	3
Director	Sung, Hsueh-jen	2017/09/05	Taiwan Corporate Governance Association	The AI Revolution & Opportunities for Banking Industry	3
		2017/11/21	Taiwan Corporate Governance Association	Possible Applications of Artificial Intelligence in Customer Service Robots and Insurance Products	3

**(4) Organization, responsibilities and operation status of the Compensation Committee:**

**(a) Information on members of the Compensation Committee**

ITitle	Conditions Name	Has over 5 years of work experience and following professional qualifications			Independence Attribute (Note)								Concurrent compensation committee position in other publicly listed companies
		Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	
Independent Director	Lee, Kai-fu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Chan, Chi-shean			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director	Wang, Kuo - cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note: The member complies with the following conditions from 2 years before being elected and during his tenure in office:

- (1) They are neither employees of the Company nor its affiliates.
- (2) They are neither directors nor supervisors of the Company or its affiliates, unless they are Independent Directors of the Company or its parent company or subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) They are not individual shareholders who hold shares, together with those held by their spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) They are not spouses or relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
- (5) They are not directors, supervisors or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held.
- (6) They are not directors, supervisors, managers or shareholders holding 5% or more shares of a specific company or institution and who also have financial or business dealings with the Company.
- (7) They are not professionals or owners, partners, directors, supervisors, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to its affiliates.
- (8) Not any of the circumstances in Article 30 of the Company Act.

**(b) Operation status of the Compensation Committee**

- (1) There are 3 members in the Company's Compensation Committee.
- (2) Current Term: From July 1, 2016 to June 30, 2019. The Compensation Committee held three meetings in the recent year, the qualifications and attendance of the Committee are shown as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remarks
Convener	Lee, Kai-fu	2	1	66.67%	None
Member	Chan, Chi-shean	3	0	100%	None
Member	Wang, Kuo-cheng				Joined on Mar.31,2018
Member	Lin, Song Shu	1	0	100%	Joined on Nov.14,2017 Resigned on Mar.31,2018
Member	Fu, Li-chen	2	0	100%	Resigned on Oct.18,2017
Other noteworthy matters: <ol style="list-style-type: none"><li>1. The Board of Directors does not accept or amend Compensation Committee's suggestions: None.</li><li>2. The resolutions of the Compensation Committee which Committee member has oppositions or reservations: None.</li></ol>					

## (5) Performance of Social Responsibilities

Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
1.Exercise and enhance corporate governance (1) Does the Company work out its corporate social responsibility policy and check the results of the implementation?	✓		(1) At present, the Company has worked out its corporate social responsibility policy, covering ethnics, laborers, safety, health, environment and management, and established Foxconn Global SER Committee (FGSC) to drive and supervise the execution of relevant CSR operations. The Company has not let up in its corporate social responsibility efforts, continuing to uphold “respect for employees, continued improvement for the benefit of society, and sustainable management” of the commitment, The Company published its “Social and Environmental Responsibility Code of Conduct” in 2008, and regularly reviews and updates it. The Company has fully implemented its corporate social responsibility, to ensure that the interests of employees in the work process and occupational health and safety are protected, to prevent environmental pollution during the manufacturing process, and audit management for the supply chain, in order to achieve economically, societally and environmentally balanced development.	No difference
(2) Does the Company conduct CSR education and training on a regular basis?	✓		(2) The Company carries out regular trainings and education on corporate business ethnics for its employees every year. For its new employees, trainings on personnel rules, management system, business ethnics and morals are carried out on their first working day to clarify their due responsibilities and obligations.	
(3) Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	✓		(3) In 2007, The Company set up the FGSC Committee. The Committee chairman is a vice president. Given its importance to the Company, we set up three groups which are headed by three executive managers, who serve as vice chairmen of the committee. The director-general is in charge of the daily operation of the Committee. We currently have 6 full-time officers in charge of CSR promotion and supervision of specific affairs. Each Business Group of the Company has set up a CSR branch; there are more than 400 part-time officers in charge of the CSR affairs of the Business Groups. At the end of each year is an annual CSR meeting to formulate CSR work plans and goals for the coming year. After being approved by the Director General to start promoting, regular internal audits of each plant’s annual CSR are carried out, to ensure that the plants are in line with the relevant CSR policies of the	

Items	Implementation Status			Difference from the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</i> and reasons
	Yes	No	Descriptions	
(4) Has the Company set up reasonable salary compensation policies, combining employee performance evaluations with corporate social responsibility policy, and establishing a clear and effective system of reward and discipline?	✓		<p>Company. Each Business Group also periodically reviews the operation of branch performance and reports to the Committee with issues concerning stakeholders for the year. Then the relevant written materials are compiled to produce an annual CSR report, which is submitted to the CSR chairman and Board of Directors.</p> <p>(4) According to the Articles of Incorporation adopted by the Board, 5%-7% of the Company profit shall be set aside for employee remuneration..The Company has set performance bonuses, employee compensation and other rewards systems. The Company's operating profit is distributed to employees in accordance with employee performance, in order that the employees and the Company may grow together. In addition, the Company has set a code of employee ethics, employee self-discipline, performance evaluation and reward system, leading employees to behavior in line with the Company's corporate social responsibility policy.</p>	
<p>2.Environment for sustainable development</p> <p>(1) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?</p> <p>(2) Does the Company establish proper environment management systems based on its industrial features?</p> <p>(3) Does the Company monitor the impact of climate change on its operations, and establish company strategies to save energy and reduce the emission of carbon and greenhouse gas?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company actively advocates water recycling, and adopts some renewable/biodegradable raw materials to effectively reduce the impact of production and manufacturing on the environment.</p> <p>(2) In response to the international trend and customer requirements, the Company gradually established environment management systems for its business units, and passed the certification of ISO 14001.</p> <p>(3) The company has started to examine the carbon dioxide emission since 2008. Some parts of our plant have passed the inspection and received certificate. Meanwhile, we've uploaded the examination information to the related organizations in UN, and actively participated in</p>	No difference

Items	Implementation Status			Difference from the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</i> and reasons
	Yes	No	Descriptions	
			related international promotional events. Carbon dioxide emission was 7.92 million tons and 6.83 million tons respectively in 2017 and 2016. The company has also began to promote energy management Internet-based intelligent energy programs vigorously and feasibility evaluation for building green production site, such as promoting green building, Rooftop photovoltaic structure, purchasing and using clean energyeliminating inefficient motor to boost energy conservation, proper A/C temperature setting, turning off the light when leaving the room, water saving program, etc. The energy saving and emission reduction goals were set and implemented, for example, the carbon dioxide emission were 618K tons and 419K tons respectively in 2017 and 2016. The company Plan carbon intensity to be lowered by 24% per NT\$10,000 production worth and to reduce CO2e emissions by 1,540,700 tons by 2020, increase energy saving to up to 22%, i.e. save 1.72 billion kWh, with a total benefit of up to NT\$5.417 billion.	

<p>3. Protect social public interests</p> <p>(1) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights?</p> <p>(2) Has the Company set up an employee complaint mechanism and proceed with care?</p> <p>(3) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?</p> <p>(4) Does the Company establish regular communication mechanisms for employees, and inform employees of the operation changes that may have significant impact on employees in a reasonable way?</p> <p>(5) Has the Company established an effective competency development career training program for employees?</p> <p>(6) Has the Company set up consumer protection policies and reporting procedures regarding R&amp;D, procurement,</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company has set employees codes of conduct in accordance with labor laws and related personnel regulations, to protect the legitimate rights and interests of employees. As a member of the international business community and Electronic Industry Citizenship Coalition (EICC), the Company has established the Foxconn Principle of Social and Environmentally Responsible Code of Conduct in reference to the Universal Declaration of Human Rights (UDHR), International Labour Organization (ILO), and Ethical Trading Initiative (ETI), and discloses policies that protect labor and human rights.</p> <p>(2) The Company provides a standardized system to receive employee complaints. New employees are informed about this system from the very first day of employment. There are appropriate compliant channels for all kinds of complaints, including complaint of illegal practice of company personnel, complaints to safeguard personal legitimate rights and interests.</p> <p>(3) The Company regularly hosts 2017 health promotion training during training for new recruits. A total of 45 sessions were held this year, totaling 22.5 hours. A total of 46 sessions of labor health education training, totaling 69 hours were also held. 63 courses totaling 74.5 hours were held at the General Health Division during this year, and courses ranged from healthcare, medical, EAP, healthcare knowledge, CPR, and AED. A management center has also been established to provide employees with medical and health consultation and assistance. The Company also regularly hosts workplace safety and loss preventing seminars. A total of 16 seminars, totaling 56 hours, were held in 2017. The Company regularly holds various communication meetings with employees to convey the Company's policies and information.</p> <p>(4) The Company regularly hosts conferences to communicate with its employees to convey Company policies, messages, targets, and future outlook.</p> <p>(5) The Company's Career Development unit is tasked with the planning and implementation of the Career Development Program.</p> <p>(6) The Company follows the regulations on limited use/prohibited use of hazardous substance and conflict minerals in an all-round way, to</p>	<p>No difference</p>
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Items	Implementation Status			Difference from the <i>Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</i> and reasons
	Yes	No	Descriptions	
<p>production, operation and service processes?</p> <p>(7) Is the company in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services?</p> <p>(8) Does the Company assess the past records of supplier's in terms of its impact on the environment or society before the signing the contract.</p> <p>(9) Does the Company, in its contract with its major suppliers, include clause such as that the Company may terminate the contract any time when the supplier is found violate its social responsibilities, and when such violation has significant impact on the environment and society.</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>provides the related information to customers and to handle abnormal events reported.</p> <p>(7) The Company complies with applicable regulations and international standards for the regulation of commercial activity and integrity management.</p> <p>(8) The Company evaluates the environmental and social impact when certificating a new supplier. The evaluation items include: employees' rights, health and safety, and environmental impact.</p> <p>(9) The Company requests suppliers to sign "purchase contract," which includes the policy of corporate social responsibility: Suppliers ensure compliance with ISO14001 and OHSAS18001 in social responsibility, environmental responsibility and occupational health and safety requirements. In the meantime, ensuring compliance with "Foxconn Supplier Social and Environmental Codes of Conduct," as well as the Responsible Business Alliance (RBA) If the supplier violates the above requirements, the Company has the right to terminate such contract or purchase order, and the supplier is responsible for the Company's damages.</p>	
<p>4. Enhanced information disclosure</p> <p>Does the Company disclose relevant critical and reliable information on corporate social responsibilities on its website and MOPS?</p>	<p>✓</p>		<p>As an EICC member, the Company is dedicated to promoting social and environmental responsibilities (hereinafter referred to as SER), and develops "Foxconn Global Codes of Conduct: Social and Environmental Responsibilities" and sets up a CSR section on its website.</p>	<p>No difference</p>
<p>5. If the Company makes its own corporate social responsibilities principles according to the <i>Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</i>, please state the differences:</p> <p>No difference</p>				

Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
6. Other important information that helps understand the operation situation in terms of the corporate social responsibilities:				
<div>(1) Adopted new processing system to enhance the capacity to recover wastes and sewage. The new system has been installed and put into operation in some areas in the plant.</div> <div>(2) Based on the respect to employees, the Company emphasizes that it does not hire child labor, does not force employees to work overtime. Managers are prohibited to discriminate or harass against employees. All these measures are all announce officially.</div> <div>(3) The company has Safety and Health Department, examining the facilities, providing training to employees on industrial safety and health and conduct performance review on a regular basis.</div> <div>(4) The company has a supplier management department, providing audit and trainings on corporate social responsibilities to suppliers.</div> <div>(5) The Company participate in the events relating to development of society, charity groups and domestic governments via donations:<div><div>a. Donated NT\$171,046,084 to the Hope Elementary School.</div><div>b. Donated tablet PC and air purifiers worth NT\$23,738,450 to various academic institutions and nursing homes.</div><div>c. Donated NT\$24,200,000 to sponsor the Promotion of Teaching Application Platform Project.</div><div>d. Donated NT\$20,000,000 to sponsor the facility improvement plan for childcare at remote areas.</div><div>e. Sponsored NT\$6,000,000 to the Kaohsiung City Table Tennis Association - Player Training Program.</div><div>f. Sponsored NT\$5,000,000 to 2016 After-School Training Plan at Boyo Social Welfare Foundation</div><div>g. Donated NT\$92,265 to Ethnic Chinese Southern Business at the United States</div><div>h. Donated NT\$2,000,000 to IoT Industry-Academic Cooperation project of National Dong Hwa University</div><div>i. Donated NT\$60,220 to the Association of Chinese American Professionals</div><div>j. Donated NT\$20,000,000 to Star Rocket Foundation</div><div>k. Sponsored NT\$1,000,000 to National Symphony Orchestra.</div><div>l. Sponsored NT\$300,000 to innovation and entrepreneurship competitions</div><div>m. Donated NT\$200,000 to SINOCON Industrial Standards Foundation</div><div>n. Donated NT\$3,000,000 to KKDoor Foundation</div><div>o. Co-hosted blood drives with the Taipei Blood Donation Center, donated 231,520ml of blood and participants totaling 923.</div></div></div>				
7. A clear statement shall be made if the corporate social responsibilities report of the Company passed the inspection of relevant certification agencies: <div>The Company will submit its annual report on corporate social responsibilities to obtain the Bureau Veritas Certification AA1000 certificate.</div>				

## (6) Status of Implementation of Integrity Operation

Items	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
<p>1. Adopt integrity operation policy and scheme</p> <p>(1) Does the Company clarify the integrity operation policy in its regulations and external documents and the commitment of board of directors and managers to active implementation?</p> <p>(2) Does the Company work out scheme, operation procedures and guidelines of conducts for employee education and training to prevent dishonest behaviors?</p> <p>(3) Does the Company adopt preventive measures to bad faith companies with higher risks of its business activities described in article 7 item 2 of the “Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies”?</p>	✓		<p>(1) The Company is based on principles of legality, fairness, equality, consensus and good faith. These principles of integrity are set down and implemented through the provisions of the Company’s “Declaration of Human Resources and Code of Conduct” section of the Employee Handbook.</p> <p>(2) The Company is committed to abiding by international and domestic corruption and anti-bribery laws which are described in the corporate social and environmental responsibility code of conduct. The Company has a zero-tolerance policy regarding any activities in violation of the provisions.</p> <p>(3) The Company has established an effective internal control system and carries out education and training for all employees on CoC every year regularly. For its new employees, trainings on personnel regulations, management system, business ethnics and morals are provided to clearly state their due rights and obligations.</p>	No difference
<p>2. Implementing integrity management.</p> <p>(1) Does the Company assess the integrity record of its business partners and set faithful conduct policies in the terms and conditions of its contracts?</p> <p>(2) Has the Company set up exclusively (or concurrently) dedicated units to be in charge of corporate integrity operation which report to and are supervised by the Board of Directors?</p> <p>(3) Does the Company work out policies to prevent conflicts of interest and provide proper statement channels?</p> <p>(4) Has the Company established an effective accounting system, internal control system and audit by internal auditors or CPAs to put integrity operation into practice?</p> <p>(5) Does the Company organize internal or external trainings in the integrity of</p>	✓		<p>(1) The Company asks its suppliers, manufacturers and customers to sign “Partner Commitment” and strictly implement high-standard anti-corruption policies as the premise for cooperation.</p> <p>(2) The Company has set up a “Compensation Committee” and “Internal Audit Division” supervised by BOD. Both units work with Finance, Accounting and Legal Division to advocate for honesty and investigate corruption matters, reporting to the Board of Directors regularly.</p> <p>(3) The Company developed the codes of conduct standards on corporate social and environmental responsibilities, and published the “The Group’s Anti-Corruption Code of Conduct” which clearly defines integrity management, information disclosure, unfair income, fair trade, identity confidential and anonymous complaints principles.</p> <p>(4) The Company has an internal control system, the internal audit unit regularly assess risk, develops audit plans, executes investigations and reports to Board of Directors</p>	No difference

Items	Implementation Status			Difference from the <i>Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies</i> and reasons
	Yes	No	Description	
business management regularly?			(5) Hosted training pertaining to ethical management, including insider trading, trade secrets and legal general education information and telecom network operating procedures and principles, and company information security courses. Courses were participated by 301 staff (headcount) for 7,826 hours cumulatively.	
3. Report System operating status (1) Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?  (2) Has the company set the standard operating procedures and related non-disclosure mechanisms to investigate reported matters?  (3) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	✓   ✓  ✓		(1) There is an item regarding reporting system in the Company's Integrity Operation Rules. A reporting channel is provided on its official website as well. Information such as reporting procedure, feedback of the issues can also be found there.  (2) The Company has set up the dedicate groups for acceptance and investigation of misconducts, which will perform in accordance with the principle of confidentiality and standard investigation procedures.  (3) The Company clearly defined in corporate social responsibility codes of conduct which will protect both identity and anonymous reports for suppliers and employees to ensure the identity of the confidential informant.	No difference
4. Enhance information disclosure Does the company disclose the information of implementation and results of integrity management on its website and the MOPS?	✓		The Company has established <i>Integrity Operation Rules</i> , and discloses the implementation results on SER annual report. The content of the <i>Integrity Operation Rules</i> and the implementation results are disclosed on company official website and the MOPS.	No difference
5. If the company develops its own integrity operation rules according to the <i>Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies</i> , please state the differences: No difference.				
6. Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation) (1) The Company strictly abides by the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, publicly traded relevant rules and other relevant laws and regulations of business conduct as the basis for the implementation of the integrity management. (2) Please refer to the Company's official website <a href="http://www.foxconn.com">http://www.foxconn.com</a> for the <i>Integrity Operation Rules</i> and <i>Annual Report on Corporate Social and Environmental Responsibilities</i> .				

## (7) Other Company-established corporate governance rules and regulations

Please refer to the Company's website for the company's Corporate Governance Principles.

## **(8) Other Important Corporate Governance Information**

There is a “Social Responsibilities of the Company” link (<http://ser.foxconn.com/>) on the Company’s website. It includes the “Corporate Social Responsibility Code of Conduct,” annual report of “Performance of Social Responsibilities” and “Status of Implementation of Integrity Management” report.

## **(9) Status of Implementation of Internal Control System**

### **a. Statement of internal control system**

Hon Hai Precision Industry Co., Ltd.

Statement of Internal Controls

Date: 3/30/2018

According to the examination on internal control system done by the Company itself in 2017, we hereby states as follows:

(1) The Company’s Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company’s internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.

(2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company’s internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.

(3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the “Guidelines for the Establishment of Internal Control Systems by Public Companies” (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.

(4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.

(5) The examination result indicated that the Company’s internal control system (including subsidiary governance) dated December 31, 2017 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies

(6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.

(7) The Company hereby declares that this statement had been approved by the Board of Directors on March 30, 2018. Among the 8 attending Directors, to the contents of this statement.

Hon Hai Precision Industry Co., Ltd.

Chairman: Gou, Tai-ming [signature and seal]

President: Gou, Tai-ming [signature and seal]

- b. **The Company is required by the Security and Futures Bureau to hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants:**

None.

- (10) **Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: None.**

None.

**(11) Important resolutions made by the Shareholders' Meeting and Board of Directors by the end of 2017 and the printing date of the annual report**

**(a) The resolutions approved by the entire attending shareholders at the regular shareholders' meeting on June 22, 2017 and its implementation**

Resolutions	Implementation
Approved Business Report and Financial Statements of 2016	-
Approved Earnings Distribution Plan of 2016	Shareholder's cash dividend: NT\$4.5 per share. Distributed on Aug 10, 2017.
Approved the amendments to the Company's "Procedures for Acquisition or Disposal of Assets."	Has been implemented in accordance with the amendments.

**(b) The resolutions approved by the entire attending shareholders at the Extraordinary shareholders' meeting on Jan 31, 2018 and its implementation**

Resolutions	Implementation
Foxconn Industrial Internet Co., Ltd. ("FII"), a subsidiary of Hon Hai Precision Industry Co., Ltd. (the "Company") to issue an initial public offering ("IPO") of RMB denominated ordinary shares (A Shares) on the Shanghai Stock Exchange	In February 1st 2018 submitted a listing application. In March 8 2018, IPO review and approved by China Securities Regulatory Commission (CSRC).
Approved on by-election of one independent director	Elected Independent director Kuo Cheng, Wang, the term is from 2018/01/31-2019/6/30.
Approved lifting of non-competition restrictions for Directors	Lifted non-competition restrictions for the following Directors based on the resolution of the Shareholders' Meeting: Director: Kuo Cheng, Wang Concurrent positions and Company Names Independent Director of HannStar Board Corporation & APEX MEDICAL CORP

**(c) Important resolutions of the Board of Directors from 2017 to April 30, 2018**

**(1) March 30, 2017**

Resolutions include: the ratification of 2016 year-end bonus and performance bonus distribution to managers; Setup of the date and determination of the purpose of the 2017 Annual General Shareholders' Meeting; setup of the period for accepting proposals from shareholders; proposal of the application for credit limit from financial institutions to satisfy the Company's operating turnover and interest and foreign exchange risk management needs, and signing relevant contracts; proposal of the adjustment of the Company's reinvestment organizational structure in consideration of the Company's financing capital and operating needs; overseas investment structural adjustment (eCMMS); indirect investments in Nanjing Hongfu sharp Precision Electronics Co., Ltd.; indirect investment in establishment of Chained Finance (Shenzhen) Co., Ltd.; proposal of the annulment of Neihu branch office; adoption of the 2016 Declaration of Internal Control; the amendments of 'Regulations Governing the Acquisition and Disposal of Assets' and amendments to 'Regulations Governing Application for Halt of Trading and Resumption of Trading'; the adoption of the 2016 manager year-end performance-based bonus issuance and ratification, and the adoption of acquisition of machinery and equipment.

**(2) May 11, 2017**

Proposal of the 2016 earnings distribution; 、 proposal of the 2016 earnings distribution; amendments of the 2017 General Shareholders' Meeting Agenda; the evaluation of independence of certified public accountants (CPA) and service fees for PwC Taiwan; application for credit limit from financial institutions to satisfy the Company's operating turnover and interest and foreign exchange risk management needs, and signing relevant contracts; issued unsecured ordinary corporate bonds within Taiwan to raise mid- to long-term funds; issued the first batch of unsecured overseas convertible bonds in 2017; a Medium Term Note issuance platform (hereinafter "MTN Program") was set up by the Group in 2012 to meet overall financial planning, and the Company's subsidiary Foxconn (Far East) Limited (Cayman) and/or Competition Team Technologies Limited (Bahamas) (hereinafter "Issuer") has issued foreign currency-denominated bonds, in which the Company acted as a guarantor. Currently, MTN Program's total issuance limit is proposed to be raised to US\$5 billion from US\$3.5 billion, and the Company will provide guarantee for the Issuer for the foreign currency-denominated bonds issued this time, whether in US Dollars or other foreign currencies; the motion for the Company's 100%-owned subsidiary, Foxconn Holding Limited to increase capital to US\$10 billion.

**(3) May 19, 2017**

Proposal in participation in second stage of bidding for Toshiba's memory business ◦

(4) August 11, 2017

The guarantee/endorsement for application of renewal of short-term turnover contract of CNY 400 million (or equivalent USD) for the Company's overseas subsidiary Falcon Precision Trading Limited to the Mega International Commercial Bank, applied for credit limit from financial institutions to satisfy the Company's operating turnover, fund allocation for investment projects, and financial risk management needs, and signed relevant contracts; the investment framework adjustment for overseas subsidiary Fenix Industria de Electronicos Ltda.; the investment framework adjustment for overseas subsidiary FoxconnMOEBG Industria de Electronicos Ltda.; capital increase for the Company's BVI-based subsidiary Foxconn Holding Limited; indirect capital increase for Hongwei (Nanjing) for short-term unsecured commercial paper (CP) for operating turnover needs

(5) November 14, 2017

applied for credit limit from financial institutions to satisfy the Company's operating turnover and interest and foreign exchange risk management needs, and signed relevant contracts; issued NT\$5.5 billion unsecured CP; provided guarantee for Fuyu Properties (Shanghai)'s obligations in the lease agreement signed between subsidiary Fuyu Properties (Shanghai) Co., Ltd. and Costco Wholesale International, Inc.; provided guarantee for obligations from AFE Inc, in the Tax Incentive Contract signed between subsidiary AFE Inc, with Wisconsin Economic Development Corporation; Proposed the investment and establishment of Yuankang Agricultural Biotechnology (Shenzhen) Co., Ltd.; adopted amendments to "Rules of Procedure for Board of Directors Meeting"; adopted amendments to "Audit Committee Charter"; adopted the 2018 "Annual Audit Plan"; adopted amendments to "Procedures and Methods of Compensations for Managers"; proposed the nomination of members of Remuneration Committee; ratified disposal of machinery and equipment.

(6) Dec 13, 2017

Approved Foxconn Industrial Internet Co., Ltd., a subsidiary of the company investing in RMB common stock (A shares) and applying for listing on the Shanghai Stock Exchange; Approved on by-election of one independent director; Setup of the date and determination of the purpose of the 2017 Extraordinary General Shareholders' Meeting; Resolved procedures to nominate candidates for Independent Directors; Indirectly invested in FIH Mobile (Nanjing) Co., Ltd.; Indirectly invested in FIH Mobile (Nanjing) Smart Technology Co.,Ltd.;Indirectlyinvested in Lianpian Technology(Shenzen)Co.,Ltd

(7) Dec 13, 2017

Motion for disposal of the Company's Type C preferred shares in Sharp Corporation; reviewed list of nominees for Independent Directors; amended compensations for directors and distribution procedures for directors' compensations.

(8) Mar 31, 2018

Resolutions included: An initial evaluation of the possible influences and CPA's opinions on company operations from adoption of IFRS 16: Leases; to set the date and subjects for the 2018 regular shareholders' meeting; to set the period for accepting shareholders' proposals; application for financial commodity transaction quotas from financial institutions and signed the capital increase to British Cayman Island subsidiary Foxconn (Far East) Limited to meet the needs of working capital turnover and allocation of investment project funds; acquisition of shares from Global Delivery Service Holdings Limited, acquisition of shares from CNTouch Inc., indirect acquisition and set up of Jizi Precision Technology (Shenzhen) Limited, indirect acquisition and set up of Jinjihu Precision Machinery (Qinghuangdao) Limited, adoption of the 2017 Declaration of Internal Control, evaluation of independence of CPA and accounting expense, appointed members of the Compensations Committee, the ratification of 2016 year-end bonus and performance bonus distribution to managers and employees, and ratification of 2017 year-end bonus and performance bonus to managers.

**(12) Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report:**

None.

**(13) During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed:**

Title	Name	Date Assumed	Date Dismissed	Reason for Dismissal
Internal Audit Manager	Huang, I- Ling	May.14, 2014	Jul.20, 2017	Resigned

## C. Information on Accountants' Fees

### (1) Range of accountants' fee

CPA Firm	Name of accountant		Inspection period	Remarks
PricewaterhouseCoopers Taiwan	Hsu, Yong-jian	Chang, Ming-Hui	2016	PricewaterhouseCoopers Taiwan

Unit: NT\$000

Fee items	Range of amount	Audit fee	Non-audit fee	Total
1	Under 2 million			
2	2 million(included) ~ 4 million		✓	
3	4 million(included) ~ 6 million			
4	6 million(included) ~ 8 million			
5	8 million(included) ~ 10 million			
6	Over 10 million (included)	✓		✓

Unit: NT\$000

CPA Firm	Name of accountant	Audit fee	Non-audit fee					Inspection period
			System design	Commercial registration	Human resources	Others (Note)	Subtotal	
PricewaterhouseCoopers Taiwan	Hsu, Yong-jian Chang, Ming-hui	19,769	0	60	0	2,680	2,740	2017/1/1 to 2017/12/31

Note: The service content include the pricing transfer service charge of NT\$1,500,000; direct deduction method review fee of NT\$200,000;; the main document preparation service fee of NT\$900,000; Verification expense for disposal of fixed asset service fee of NT\$80,000

- (2) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: Not applicable.
- (3) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
- (4) The audit fee is reduced by over 15% compared with the previous year: Mostly due to reductions in services needed from CPA in certifying issuance of overseas corporate bonds in 2017.

## D. Alternation of CPA

### (1) About the Former CPA: None

Accountant changed	January 1, 2018		
Reason and explanation for the change	The Company's previous certified public account (CPA) had been Atlan Hsu and Dexter Chang from PwC Taiwan. Due to internal adjustments from PwC, the Company's current CPA have been changed to CPA Atlan Hsu and CPA Joseph Chou as of Q1 in 2018.		
Explanation for termination or refusal of appointment from the company or the accountant	Director	CPA	Company
	Active termination of contract	-	-
	No longer accepting commission	-	-
Audit opinion and reasons for opinions other than issuance of unqualified-standard wording in the most recent two years:	None		
Differences of opinion with financial statement issuer	Yes	-	Accounting principles or practices
		-	Disclosure of financial statement
		-	Scope of verification or procedures Others
		-	None
		-	
	No	✓	
	Comment		
Other matters of disclosure	None		

### (2) About successor CPA:

Name of the Accounting Firm	PwC Taiwan
Name of CPA	Atlan Hsu    Joseph Chou
Appointed on	April 27, 2018
Consultation for the accounting methods or accounting principles and likely opinions that may be issued for the financial statements and results for specific transactions before appointment	None
Written opinion from successor CPA for expressing different opinions from the previous CPA	None

### (3) Former CPA's reply: Not applicable.

## E. The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise:

None.

## F. Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares

### (1) Changes in Equity

Title	Name	2017		Current year to April 30	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Terry Gou	(500,000,000)	317,300,000	0	0
Director	Representative of Hon Jin International Investment Co., Ltd.: Lu, Fang-ming	0	0	0	0
Director	Representative of Hon Chiao International Investment Co., Ltd.: Chen, Jen-gwo Mao, Robert	0	0	0	0
Director	Huang, Qing-yuan	0	0	0	0
Director	Sung, Hsueh-jen	0	0	0	0
Independent Director	Chan, Chi-shean	0	0	0	0
Independent Director	Lee, Kai-fu	0	0	0	0
Independent Director	Kuo Cheng, Wang	0	0	0	0
Department General Manager	Tai, Jeng-wu (Relieved of duty on April 17, 2018)	(390,000)	0	(2,000,000)	0
Department General Manager	You, Xiang-fu	(15,000,000)	0	0	0
Department General Manager	Lu, Fang-ming	(413,000)	6,000,000	0	0
Department General Manager	Chien, Yi-bin	(268,000)	0	(24,000)	0
Department General Manager	Xu, Mu-ji	(2,214,000)	0	(684,000)	0
Department General Manager	Ling, Zhi-ping	(1,188,000)	0	12,750	0
Head Office General Manager	Li, Jin-ming(Relieved of duty on June 30, 2017)	0	0	0	0

Title	Name	2017		Current year to April 30	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Financial Director	Huang, De-cai	(18,000)	0	0	0
Accounting Director	Chou, Zong-kai	0	0	0	0

Unit: Share

**(2) Information on equity transfer:**

The counterparties of equity transfer are not related parties.

**(3) Information on equity pledge:**

The counterparties of share pledges are not related parties.

## G. Information on relationships among the top ten shareholders

Name	Shareholding		Spouse & Minor Minor Shareholding		Shares Held through Other Parties Shares held		Related Party		Remark
	Number	%	Number	%	Number	%	Name	Relation	
Terry Gou	1,621,848,148	9.36%	0	0.00%	0	0.00%	None	None	—
CTBC Hosting Terry Gou Trust Treasury Account	500,000,000	2.89%	0	0.00%	0	0.00%	None	None	—
Citibank Hosting Government of Singapore Investment Account	303,828,047	1.75%	0	0.00%	0	0.00%	None	None	—
Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts	256,498,198	1.48%	0	0.00%	0	0.00%	None	None	—
Standard Chartered Bank Hosting Sanskrit Vanguard Emerging Markets	244,776,114	1.41%	0	0.00%	0	0.00%	None	None	—
Fubon Life Insurance Co., Ltd	213,100,000	1.23%	0	0.00%	0	0.00%	None	None	—
Chase Entrusted PGIA Starlight Comprehensive Global Equity Index	202,436,207	1.17%	0	0.00%	0	0.00%	None	None	—
Chase Bank Hosting Central Bank of Saudi Arabia Investment Account	198,656,509	1.15%	0	0.00%	0	0.00%	None	None	—
Citibank Hosting Norwegian Central Bank Investment Account	192,388,282	1.11%	0	0.00%	0	0.00%	None	None	—
Standard Chatered Entrusted Fidelity Muslim Trust Fund: Fidelity Low Price	182,476,140	1.05%	0	0.00%	0	0.00%	None	None	—

## H. Combined shareholding percentage

3/31/2018; Unit: 1,000 shares

Shift in investment	Investment by the Company		Investment by directors, supervisors, managers, direct or indirect control groups		Combined investment	
	Shares	%	Shares	%	Shares	%
Foxconn (Far East) Ltd.	7,865,929	100.00%	-	-	7,865,929	100.00%
SHARP CORPORATION	130,000	26.14%	91,780	18.41%	221,780	44.55%
ECMMS PRECISION SINGAPORE PTE. LTD.	543,010	100.00%	-	-	543,010	100.00%
Hongyang Venture Capital (Shenzhen) Co., Ltd.	1,174,960	97.95%	22,964	2.05%	1,197,924	100.00%
Baoxin International Investment Co., Ltd.	1,098,730	100.00%	-	-	1,098,730	100.00%
Margini Holdings Ltd.	275,980	100.00%	-	-	275,980	100.00%
Ambit International Ltd.	53,100	100.00%	-	-	53,100	100.00%
Foxconn Holdings B.V.-Netherland	108,355	100.00%	-	-	108,355	100.00%
Foxconn Technology Co., Ltd.	139,726	9.88%	277,195	19.60%	416,921	29.48%
Foxconn Holding Ltd.	626,361	100.00%	-	-	626,361	100.00%
Hongyuan International Investment Co., Ltd.	317,830	100.00%	-	-	317,830	100.00%
Hongqi International Investment Co., Ltd.	300,280	100.00%	-	-	300,280	100.00%
Foxconn Singapore Pte. Ltd.	179,838	100.00%	-	-	179,838	100.00%
Foxconn SA B.V.	72,163	100.00%	-	-	72,163	100.00%
Pan-International Industrial Corp.	107,776	21.20%	29,620	5.83%	137,396	27.03%
Liyi International Investment Co., Ltd.	96,900	100.00%	-	-	96,900	100.00%
Sanchuang Digital Co., Ltd.	183,646	74.80%	-	-	183,646	74.80%
PREMIER IMAGE TECHNOLOGY (HK) LTD.	1,405	1.63%	84,753	98.33%	86,158	99.96%
Yangxin Technologies Co., Ltd.	65,811	64.59%	36,079	35.41%	101,890	100.00%
Asia Pacific Telecom Co.,Ltd.	843,760	19.62%	3,085	0.07%	846,845	19.69%
Ennoconn	416	0.54%	29,990	39.19%	30,406	39.73%
Jin Ji City Trading Co., Ltd.	20	100.00%	-	-	20	100.00%

Note: Long-term equity investment of the Company calculated according to the equity method .

## IV. Company Shares and Fund Raising

### A. Company capital and shares

#### (a) Capital and Shares

4/24/2018; Unit: 1,000 shares

Type	Authorized Capital			
	Issued Outstanding Shares (Listed Stock)	Non-issued Shares	Options, bonds, warrants, other convertible shares	Total
Registered Common Shares	17,328,738	171,262	500,000	18,000,000

#### (b) Sources of Capital

Unit: NT\$1,000; 1,000 shares

Year/ month	Issue price (NT\$)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT\$1,000)	Property other than cash offset by the number of shares	Approval date and document No.
1991/06	10 42	100,000	1,000,000	80,300	803,000	Capital increase 93,000 by earnings Capital increase 90,000 by cash	None	—
1992/07	10	100,000	1,000,000	97,600	976,000	Capital increase 132,850 by earnings Capital increase 40,150 by capital reserve	None	—
1993/08	10	150,000	1,500,000	112,800	1,128,000	Capital increase 103,200 by earnings Capital increase 48,800 by capital reserve	None	—
1994/08	10	150,000	1,500,000	130,300	1,303,000	Capital increase 118,600 by earnings Capital increase 56,400 by capital reserve	None	—
1995/06	10	250,000	2,500,000	187,900	1,879,000	Capital increase 445,700 by earnings Capital increase 130,300 by capital reserve	None	June 19, 1995 (84), TCZ(I) No. 36224
1995/10	48	250,000	2,500,000	227,900	2,279,000	Capital increase 400,000 by cash	None	October 09, 1995 (84), TCZ(I) No. 52879
1996/10	10	450,000	4,500,000	358,000	3,580,000	Capital increase 1,301,000 by earnings	None	July 9, 1996 (85), TCZ(I) No. 41678
1997/09	10	600,000	6,000,000	511,800	5,118,000	Capital increase 1,108,400 by earnings Capital increase 429,600 by capital reserve	None	June 30, 1997 (86), TCZ(I) No. 51749
1998/08	10	1,000,000	10,000,000	734,600	7,346,000	Capital increase 1,818,560 by earnings Capital increase 409,440	None	July 10, 1998 (87), TCZ (I) No. 58651

Year/ month	Issue price (NT\$)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT\$1,000)	Property other than cash offset by the number of shares	Approval date and document No.
						by capital reserve		
1999/08	10	1,300,000	13,000,000	1,050,000	10,500,000	Capital increase 3,154,000 by earnings	None	June 30, 1999 (88),TCZ(I) No. 58593
1999/11	220.75	1,300,000	13,000,000	1,100,000	11,000,000	Capital increase 500,000 by cash	None	August 9, 1999 (88),TCZ(I) No. 63098
2000/08	10	2,400,000	24,000,000	1,452,900	14,529,000	Capital increase 3,529,000 by earnings	None	June 22, 2000 (89),TCZ(I) No. 54010
2001/08	10	2,400,000	24,000,000	1,768,780	17,687,800	Capital increase 3,158,800 by earnings	None	June 13, 2001 (90), TCZ(I) No. 137713
2002/08	10	3,000,000	30,000,000	2,064,897	20,648,970	Capital increase 2,961,170 by earnings	None	June 27, 2002 (91), TCZ(I) No. 135225
2003/08	10	3,000,000	30,000,000	2,519,174	25,191,744	Capital increase 4,542,774 by earnings	None	June 12, 2003 (92), TCZ(I) No. 920128415
2004/07	10	3,600,000	36,000,000	2,757,198	27,571,989	Capital increase 2,380,244 by merging	None	January 27, 2004 (93), TCZ(I) No. 920162759
2004/10	10	4,600,000	46,000,000	3,231,023	32,310,231	Capital increase 4,738,011 by earnings; Converse 231 Euro- convertible bond	None	July 21, 2004, JGZYZ No.0930132689
2005/05	10	4,600,000	46,000,000	3,238,718	32,387,189	Converse 76,957 Euro- convertible bond	None	—
2005/08	10	5,300,000	53,000,000	3,284,525	32,845,251	Converse 458,061 Euro- convertible bond	None	—
2005/09	10	5,300,000	53,000,000	4,003,171	40,031,717	Capital increase 7,186,466 by earnings	None	January 29, 2005, J G Z Y Z No. 0940131076
2005/11	10	5,300,000	53,000,000	4,038,323	40,383,231	Converse 351,514 Euro- convertible bond	None	—
2006/04	10	5,300,000	53,000,000	4,099,953	40,999,534	Converse 616,303 Euro- convertible bond	None	—
2006/09	10	5,700,000	57,000,000	4,989,944	49,899,441	Capital increase 8,899,907 by earnings	None	July 11, 2006, JGZYZ No.0950129699
2007/03	10	5,700,000	57,000,000	5,168,139	51,681,388	Capital increase 1,781,947 by merging	None	October 19, 2006, JGZYZ No.0950147071
2007/09	10	7,000,000	70,000,000	6,290,767	62,907,665	Capital increase 11,226,277 by earnings	None	July 09, 2007, JGZYZ No.0960035148
2008/10	10	8,120,000	81,200,000	7,414,623	74,146,235	Capital increase 11,238,569 by earnings	None	June 30, 2008, JGZYZ No.0970032402
2009/06	10	9,300,000	93,000,000	8,578,932	85,789,319	Capital increase 11,643,084 by earnings	None	April 28, 2009, JGZYZ No.0980017596
2010/09	10	10,820,000	108,200,000	9,661,248	96,612,482	Capital increase 10,823,163 by earnings	None	July 01, 2010, JGZYZ No.0990034120
2011/08	10	12,230,000	122,300,000	10,689,097	106,890,967	Capital increase 10,278,485 by earnings	None	June 20, 2011, JGZYZ No.1000028108
2012/09	10	12,230,000	122,230,000	11,835,867	118,358,665	Capital increase 11,467,698 by earnings	None	July 5, 2012 JGZYZ No. 1010029788
2013/10	10	18,000,000	180,000,000	13,128,707	131,287,068	Capital increase 12,928,403 by earnings	None	July 29, 2013 JGZYZ No. 1020029486
2014/10	10	18,000,000	180,000,000	14,793,407	147,934,069	Capital increase 16,647,001 by earnings	None	July 17, 2014 JGZYZ No. 1030027390
2015/06	10	18,000,000	180,000,000	15,148,407	151,484,069	Issuance 3,550,000 of new shares that restrict	None	June 13, 2014 JGZYZ No.

Year/ month	Issue price (NT\$)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT\$1,000)	Property other than cash offset by the number of shares	Approval date and document No.
						employees' rights		1030022403
2015/10	10	18,000,000	180,000,000	15,993,288	159,932,881	Capital increase 8,448,8143 by earnings	None	July 24, 2015 JGZFZ No.1040028126
2015/12	10	18,000,000	180,000,000	15,638,288	156,382,881	Cancellation of 3,550,000 new shares that restrict employees' rights	None	—
2016/12	10	18,000,000	180,000,000	17,328,738	17,328,738	Capital increase 16,940,500 by earnings	None	Effective July 27, 2016

**(c) Information on shelf registration system:**

None.

**(d) Shareholder Structure**

4/24/2018

Shareholder Structure Quantity	Governments	Financial institutions	Other institutions	Foreign institutions & individuals	Individuals	Total
Members	7	153	1,519	3,098	799,385	804,162
Total shares held	451,333,431	1,078,175,500	1,131,196,406	7,853,054,848	6,814,978,077	17,328,738,262
Shareholdings (%)	2.61%	6.22%	6.53%	45.31%	39.33%	100.00%

**(e) Distribution of Shares**

**(a) Distribution of common shares**

4/24/2018

Shares	No. of Shareholders	Total Shares Held	Shareholdings (%)
1 to 999	150,815	44,746,909	0.26%
1,000 to 5,000	449,416	1,009,990,8	5.83%
5,001 to 10,000	103,29	752,378,254	4.34%
10,001 to 15,000	37,910	466,037,402	2.69%
15,001 to 20,000	19,438	343,664,273	1.98%
20,001 to 30,000	17,609	432,688,823	2.50%
30,001 to 40,000	7,905	275,264,423	1.59%
40,001 to 50,000	4,591	207,377,653	1.20%
50,001 to 100,000	7,663	528,027,316	3.05%
100,001 to 200,000	2,874	392,497,813	2.27%
200,001 to 400,000	1,114	307,450,141	1.77%
400,001 to 600,000	363	177,816,852	1.03%
600,001 to 800,000	191	132,956,490	0.76%
800,001 to 1,000,000	139	124,284,244	0.71%
Above 1,000,001	844	12,133,556,816	70.02%
Total	804,162	17,328,738,262	100.00%

**(b) Diversification of preferred stocks:**

The Company does not issue preferred stocks.

**(f) List of major shareholders**

4/24/2018

Shares	Shares Held	Shareholdings (%)
Name of Major Shareholders		
Terry Gou	1,621,848,148	9.36%
CTBC Hosting Terry Gou Trust Treasury Account	500,000,000	2.89%
Citibank Hosting Government of Singapore Investment Account	303,828,047	1.75%
Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depository Receipts Account	256,498,198	1.48%
Standard Chartered Entrusted Vanguard Emerging Markets Equity Index Fund	244,776,114	1.41%
Fubon Life Insurance Co., Ltd.	213,100,000	1.23%
Chase Entrusted PGIA Starlight Comprehensive Global Equity Index	202,436,207	1.17%
Chase Entrusted Investment Account at the Saudi Arabian Monetary Authority	198,656,509	1.15%
Citibank Hosting Norwegian Central Bank Investment Account	192,388,282	1.11%
Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity Low-Priced Stocks Fund	182,476,140	1.05%

**(g) Information on Market Price, Book Value, Earnings Per Share and Dividend**

Item \ Year			2016	2017	Current year to March 31, 2018
Market Price Per Share (Note 1)	Highest	Before adjustment	90.10	122.50	97.40
		After adjustment	78.27		
	Lowest	Before adjustment	72.50	83.00	86.10
		After adjustment	62.27		
	Average		81.29	102.91	91.90
Equity Per Share	Before distribution		62.25	62.57	64.45
	After distribution		81.29	102.91	91.90
Earnings per share (Note 2)	Weighted average shares (1,000 shares)		17,295,748	17,326,884	17,326,884
	Earnings per share (NT\$)	Before adjustment	8.60	8.01	1.39
		After adjustment	8.52	—	—
Dividends per share (Note 3)	Cash dividend		4.50	2.00	—
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	—	—	—
		Stock Dividends Appropriated from Capital Reserve	None	None	—
	Accumulated Unappropriated Dividends		None	None	—
Investment return analyses	P/E ratio		9.45	12.85	—
	Price-dividend ratio		18.06	51.46	—
	Cash dividend yield		5.54%	1.94%	—

Note 1: The market price per share shall be adjusted by stock dividends.

Note 2: The earnings per share shall be adjusted by stock dividends.

Note 3: 2017 dividends have not yet been approved by the AGM.

## **(h) Dividend Policy and Execution Status**

### **A. Dividend policy**

The Company is in a growth stage. Therefore, the Company's dividend distribution policy is subject to the Company's current and future investment environment, capital requirements, domestic and foreign competition, capital budgets and other factors, taking into account the interests of shareholders and long-term financial planning considerations, stock dividends on the accumulated allocable earnings should not be less than 15% of the accumulated allocable earnings and cash dividends of not less than 10%.

### **B. Distribution of stock dividends at this Shareholders' Meeting:**

The Company plans to distribute dividends of NT\$34,657,476,524 to shareholders from the distributable surplus of 2017, and to distribute the cash dividend of NT\$2 per share. The Board of Directors will authorize the Chairman to determine the ex-dividend date, issuance date and other relevant matters after the resolution is approved by the Shareholders' Meeting.

### **(i) Impact of planned issuance of bonus shares on the Company's business performance and earnings per share:**

N/A.

**(j) Remuneration to employees, and Directors:**

**A.Information on remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation:**

.According the Articles of Incorporation adopted by the Board, 5-7% of the company profit (Surplus refers to profit before tax deducted appropriated employee compensation) is to set aside for employee remuneration.

**B.The estimation basis of the remuneration amount to employees, directors, and supervisors for the current period; the estimation basis of the number of shares of stock dividend to employees; and the the accounting treatment of the discrepancy, if any, between the actual distributed amount of employees' stock bonus and estimated figure thereof:**

(1)On May 11, 2018, the Board of Directors approved the Company to set aside 6% of earnings as cash dividend for 2017 employees' compensation.

(2)Where there is discrepancy between the actually distributed and the estimated amount, it shall be treated in accordance with the estimated.

**C.Information on the amount of compensation for distribution and the calculation of earnings per share as approved by the Board of Directors are as follows:**

(1)The cash dividend distributed to employee shall be NT\$10,239,389,280, and to directors NT\$0.

(2)The employee stock dividend shall be NT\$0, which accounts for 0% of the total of the after-tax net profit and the employee compensation of the individual or separate financial report for the current period.

(3)In the case of any differences between the actual distributed and recognized number, please state the difference, reasons and response:

The Company's actually distributed number does not differ from the recognized one.

**D. Actual distribution remuneration of employees, and directors, in the previous year:**

(1) Actual distribution:

Unit: NT\$

Employee dividends			Remuneration to Directors
Employee Stock Dividends: Amount	Employee Stock Dividends: Number of Shares	Employee Cash Dividends	
0	0	10,497,750,459	0

- (2) In the case of any differences between the actual distributed and recognized number, please state the difference, reasons and response:

The Company's actually distributed number does not differ from the recognized one.

**(k) Share repurchases:**

None.

## B. Section on Corporate Bonds

### (a) Corporate Bonds

Unit: NT\$000

Corporate Bond Type	The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2011		The 4 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2012
	Coupon B	Coupon C	Coupon B
Issuing (handling) date	Jun 14, 2011	Jun 14, 2011	Jan 30, 2013
Denomination	1,000	1,000	1,000
Issuing and transaction location	GreTai Securities Market (OTC)		GreTai Securities Market (OTC)
Issue price	Issue by denomination		Issue by denomination
Total amount	2,650,000	1,400,000	3,600,000
Interest rate	1.66%	1.82%	1.45%
Term	7 years Expiry date: Jun 14, 2018	10 years Expiry date: Jun 14, 2021	7 years Expiry date: Jan 30, 2020
Guarantee Agency	None		None
Consignee	Bank SinoPac Company Limited		Bank SinoPac Company Limited
Underwriting institution	None		None
Certified lawyer	None		None
CPA	None		None
Repayment method	Repayment in lump sum upon maturity		Repayment in lump sum upon maturity
Outstanding principal	2,650,000	1,400,000	3,600,000
Terms of redemption or advance repayment	None		None
Restrictive clause	None		None
Name of credit rating agency Rating date Rating of corporate bonds	Rating agency: China Credit Rating Co., Ltd. Rating date: May 19, 2011 Rating result: twAA+		Rating agency: China Credit Rating Co., Ltd. Rating date: Dec 20, 2012 Rating result: twAA+
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A	
	Issuance and conversion (exchange or subscription) method	None	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None		None
Transfer Agent	None		None

Unit: NT\$000

Corporate Bond Type		The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2013		The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2013		
		Coupon B	Coupon C	Coupon B	Coupon C	Coupon D
Issuing (handling) date		Dec 17, 2013	Dec 17, 2013	Mar 18, 2014	Mar 18, 2014	Mar 18, 2014
Denomination		1,000	1,000	1,000		
Issuing and transaction location		GreTai Securities Market (OTC)		GreTai Securities Market (OTC)		
Issue price		Issue by denomination	Issue by denomination	Issue by denomination		
Total amount		800,000	2,200,000	1,100,000	350,000	2,500,000
Interest rate		1.50%	1.85%	1.40%	1.75%	2.0%
Term		5 years Expiry date: Dec 17, 2018	7 years Expiry date: Dec 17, 2020	5 years Expiry date: Mar 18, 2019	7 years Expiry date: Mar 18, 2021	10 years Expiry date: Mar 18, 2024
Guarantee Agency		None		None		
Consignee		Bank SinoPac Company Limited		Bank SinoPac Company Limited		
Underwriting institution		None		None		
Certified lawyer		None		None		
CPA		None		None		
Repayment method		Repayment in lump sum upon maturity		Repayment in lump sum upon maturity		
Outstanding principal		800,000	2,200,000	1,100,000	350,000	2,500,000
Terms of redemption or advance repayment		None		None		
Restrictive clause		None		None		
Name of credit rating agency: Rating date: Rating of corporate bonds:		None		None		
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A		N/A		
	Issuance and conversion (exchange or subscription) method	None		None		
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None		None		
Transfer Agent		None		None		

Unit: NT\$000

Corporate Bond Type		The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014			The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014	
		Note B	Note C	Note D	Note A	Note B
Issuing (handling) date		May 21, 2014	May 21, 2014	May 21, 2014	Jul 8, 2014	Jul 8, 2014
Denomination		1,000			1,000	
Issuing and transaction location		GreTai Securities Market (OTC)			GreTai Securities Market (OTC)	
Issue price		Issue by denomination			Issue by denomination	
Total amount		1,600,000	3,350,000	4,200,000	6,000,000	6,000,000
Interest rate		1.37%	1.70%	1.95%	1.70%	1.95%
Term		5 years Expiry date: May 21, 2019	7 years Expiry date: May 21, 2021	10 years Expiry date: May 21, 2024	7 years Expiry date: Jul 8, 2021	10 years Expiry date: July 8, 2024
Guarantee Agency		None			None	
Consignee		Bank SinoPac Company Limited			Bank SinoPac Company Limited	
Underwriting institution		None			None	
Certified lawyer		None			None	
CPA		None			None	
Repayment method		Repayment in lump sum upon maturity			Repayment in lump sum upon maturity	
Outstanding principal		1,600,000	3,350,000	4,200,000	6,000,000	6,000,000
Terms of redemption or advance repayment		None			None	
Restrictive clause		None			None	
Name of credit rating agency: Rating date: Rating of corporate bonds:		None			None	
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A			N/A	
	Issuance and conversion (exchange or subscription) method	None			None	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None			None	
Transfer Agent		None			None	

Unit: NT\$000

Corporate Bond Type		The 4 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014			
		Note B	Note C	Note D	Note E
Issuing (handling) date		Oct 8, 2014	Oct 8, 2014	Oct 8, 2014	Oct 8, 2014
Denomination		1,000			
Issuing and transaction location		GreTai Securities Market (OTC)			
Issue price		Issue by denomination			
Total amount		1,400,000	3,200,000	2,200,000	200,000
Interest rate		1.45%	1.80%	2.02%	2.15%
Term		5 years Expiry date: Oct 8, 2019	7 years Expiry date: Oct 8, 2021	10 years Expiry date: Oct 8, 2024	12 years Expiry date: Oct 8, 2026
Guarantee Agency		None			
Consignee		Bank SinoPac Company Limited			
Underwriting institution		None			
Certified lawyer		None			
CPA		None			
Repayment method		Repayment in lump sum upon maturity			
Outstanding principal		1,400,000	3,200,000	2,200,000	200,000
Terms of redemption or advance repayment		None			
Restrictive clause		None			
Name of credit rating agency: Rating date: Rating of corporate bonds:		None			
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A			
	Issuance and conversion (exchange or subscription) method	None			
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None			
Transfer Agent		None			

Corporate Bond Type	The 5 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2014	
	Note B	Note C
Issuing (handling) date	Jan 14, 215	Jan 14, 215
Denomination	1,000	
Issuing and transaction location	GreTai Securities Market (OTC)	
Issue price	Issue by denomination	
Total amount	1,600,000	2,800,000
Interest rate	1.45%	1.80%
Term	5 years Expiry date: Jan 14, 2020	7 years Expiry date: Jan 14, 2022
Guarantee Agency	None	
Consignee	Bank SinoPac Company Limited	
Underwriting institution	None	
Certified lawyer	None	
CPA	None	
Repayment method	Repayment in lump sum upon maturity	
Outstanding principal	1,600,0000	2,800,000
Terms of redemption or advance repayment	None	
Restrictive clause	None	
Name of credit rating agency: Rating date: Rating of corporate bonds:	None	
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A
	Issuance and conversion (exchange or subscription) method	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	
Transfer Agent	None	

Corporate Bond Type		The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015		
		Note C	Note D	Note E
Issuing (handling) date		Apr 14, 2015	Apr 14, 2015	Apr 14, 2015
Denomination		1,000		
Issuing and transaction location		GreTai Securities Market (OTC)		
Issue price		Issue by denomination		
Total amount		100,000	2,300,000	1,000,000
Interest rate		1.34%	1.44%	1.75%
Term		4 years Expiry date: Apr 14, 2019	5 years Expiry date: Apr 14, 2020	7 years Expiry date: Apr 14, 2022
Guarantee Agency		None		
Consignee		Bank SinoPac Company Limited		
Underwriting institution		None		
Certified lawyer		None		
CPA		None		
Repayment method		Repayment in lump sum upon maturity		
Outstanding principal		100,000	2,300,000	1,000,000
Terms of redemption or advance repayment		None		
Restrictive clause		None		
Name of credit rating agency: Rating date: Rating of corporate bonds:		None		
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A		
	Issuance and conversion (exchange or subscription) method	None		
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None		
Transfer Agent		None		

Corporate Bond Type		The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015						
		Note A	Note B	Note C	Note D	Note E	Note F	Note G
Issuing (handling) date		Jun 24, 2015	Jun 24, 2015	Jun 24, 2015	Jun 24, 2015	Jun 24, 2015	Jun 24, 2015	Jun 24, 2015
Denomination		1,000						
Issuing and transaction location		GreTai Securities Market(OTC)						
Issue price		Issue by denomination						
Total amount		2,600,000	600,000	400,000	2,200,000	400,000	2,300,000	500,000
Interest rate		1.18%	1.23%	1.30%	1.39%	1.55%	1.70%	1.90%
Term		3 years Expiry date: Jun 24, 2018	3.5 years Expiry date: Dec 24, 2018	4 years Expiry date: Jun 24, 2019	5 years Expiry date: Jun 24, 2020	6 years Expiry date: Jun 24, 2021	7 years Expiry date: Jun 24, 2022	10 years Expiry date: Jun 24, 2025
Guarantee Agency		None						
Consignee		Bank SinoPac Company Limited						
Underwriting institution		None						
Certified lawyer		None						
CPA		None						
Repayment method		Repayment in lump sum upon maturity						
Outstanding principal		2,600,000	600,000	400,000	2,200,000	400,000	2,300,000	500,000
Terms of redemption or advance repayment		None						
Restrictive clause		None						
Name of credit rating agency: Rating date: Rating of corporate bonds:		None						
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A						
	Issuance and conversion (exchange or subscription) method	None						
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None						
Transfer Agent		None						

Corporate Bond Type		The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015						
		Note B	Note C	Note D	Note E	Note F	Note G	Note H
Issuing (handling) date		Sep 29, 2015	Sep 29, 2015	Sep 29, 2015	Sep 29, 2015	Sep 29, 2015	Sep 29, 2015	Sep 29, 2015
Denomination		1,000						
Issuing and transaction location		GreTai Securities Market (OTC)						
Issue price		Issue by denomination						
Total amount		1,800,000	1,100,000	2,800,000	200,000	400,000	1,000,000	300,000
Interest rate		1.05%	1.15%	1.25%	1.27%	1.33%	1.45%	2.00%
Term		3 years Expiry date: Sep 29, 2018	4 years Expiry date: Sep 29, 2019	5 years Expiry date: Sep 29, 2020	5.5 years Expiry date: Mar 29, 2021	6 years Expiry date: Sep 29, 2021	7 years Expiry date: Sep 29, 2022	12 years Expiry date: Sep 29, 2027
Guarantee Agency		None						
Consignee		Bank SinoPac Company Limited						
Underwriting institution		None						
Certified lawyer		None						
CPA		None						
Repayment method		Repayment in lump sum upon maturity						
Outstanding principal		1,800,000	1,100,000	2,800,000	200,000	400,000	1,000,000	300,000
Terms about redemption or advance repayment		None						
Restrictive clause		Non						
Name of credit rating agency: Rating date: Rating of corporate bonds:		Non						
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A						
	Issuance and conversion (exchange or subscription) method	None						
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Non						
Transfer Agent		Non						

Unit: MYR000

Corporate Bond Type		The 4 <sup>th</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2015						
		Note B	Note C	Note D	Note E	Note F	Note G	Note H
Issuing (handling) date		Nov 30, 2015	Nov 30, 2015	Nov 30, 2015	Nov 30, 2015	Nov 30, 2015	Nov 30, 2015	Nov 30, 2015
Denomination		1,000						
Issuing and transaction location		GreTai Securities Market (OTC)						
Issue price		Issue by denomination						
Total amount		1,500,000	700,000	3,900,000	100,000	1,400,000	100,000	200,000
Interest rate		1.00%	1.09%	1.20%	1.28%	1.40%	1.75%	1.95%
Term		3 years Expiry date: Nov 30, 2018	4 years Expiry date: Nov 30, 2019	5 years Expiry date: Nov 30, 2020	6 years Expiry date: Nov 30, 2021	7 years Expiry date: Nov 30, 2022	10 years Expiry date: Nov 30, 2025	12 years Expiry date: Nov 30, 2027
Guarantee Agency		None						
Consignee		Bank SinoPac Company Limited						
Underwriting institution		None						
Certified lawyer		None						
CPA		None						
Repayment method		Repayment in lump sum upon maturity						
Outstanding principal		1,500,000	700,000	3,900,000	100,000	1,400,000	100,000	200,000
Terms about redemption or advance repayment		None						
Restrictive clause		None						
Name of credit rating agency: Rating date: Rating of corporate bonds:		None						
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A						
	Issuance and conversion (exchange or subscription) method	None						
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None						
Transfer Agent		None						

Corporate Bond Type		The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016						
		Note A	Note B	Note C	Note D	Note E	Note F	Note G
Issuing (handling) date		Jun 7, 2016	Jun 7, 2016	Jun 7, 2016	Jun 7, 2016	Jun 7, 2016	Jun 7, 2016	Jun 7, 2016
Denomination		1,000						
Issuing and transaction location		GreTai Securities Market (OTC)						
Issue price		Issue by denomination						
Total amount		400,000	1,300,000	300,000	2,100,000	1,300,000	1,800,000	1,800,000
Interest rate		0.60%	0.70%	0.75%	0.80%	0.88%	0.95%	1.20%
Term		2 years Expiry date: Jun 7, 2018	3 years Expiry date: Jun 7, 2019	4.5 years Expiry date: Dec 07, 2020	5 years Expiry date: Jun 7, 2021	6 years Expiry date: Jun 7, 2022	7 years Expiry date: Jun 7, 2023	10years Expiry date: Jun 7, 2026
Guarantee Agency		None						
Consignee		Bank SinoPac Company Limited						
Underwriting institution		None						
Certified lawyer		None						
CPA		None						
Repayment method		Repayment in lump sum upon maturity						
Outstanding principal		400,000	1,300,000	300,000	2,100,000	1,300,000	1,800,000	1,800,000
Terms about redemption or advance repayment		None						
Restrictive clause		None						
Name of credit rating agency: Rating date: Rating of corporate bonds:		None						
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A						
	Issuance and conversion (exchange or subscription) method	None						
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None						
Transfer Agent		None						

Corporate Bond Type		The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016					
		Note A	Note B	Note C	Note D	Note E	Note F
Issuing (handling) date		Aug 8, 2016	Aug 8, 2016	Aug 8, 2016	Aug 8, 2016	Aug 8, 2016	Aug 8, 2016
Denomination		1,000					
Issuing and transaction location		GreTai Securities Market (OTC)					
Issue price		Issue by denomination					
Total amount		1,500,000	100,000	500,000	2,300,000	1,700,000	2,900,000
Interest rate		0.65%	0.65%	0.70%	0.73%	0.83%	0.90%
Term		3 years Expiry date: Aug 8, 2019	4 years Expiry date: Aug 8, 2020	4.75 years Expiry date: May 8, 2021	5 years Expiry date: Aug 8, 2021	6 years Expiry date: Aug 8, 2022	7 years Expiry date: Aug 8, 2023
Guarantee Agency		None					
Consignee		Bank SinoPac Company Limited					
Underwriting institution		None					
Certified lawyer		None					
CPA		None					
Repayment method		Repayment in lump sum upon maturity					
Outstanding principal		1,500,000	100,000	500,000	2,300,000	1,700,000	2,900,000
Terms about redemption or advance repayment		None					
Restrictive clause		None					
Name of credit rating agency: Rating date: Rating of corporate bonds:		None					
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A					
	Issuance and conversion (exchange or subscription) method	None					
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None					
Transfer Agent		None					

Unit: RMB000

Corporate Bond Type		The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2016		
		Note A	Note B	Note C
Issuing (handling) date		Nov 7, 2016	Nov 7, 2016	Nov 7, 2016
Denomination		1,000		
Issuing and transaction location		GreTai Securities Market (OTC)		
Issue price		Issue by denomination		
Total amount		1,200,000	900,000	900,000
Interest rate		0.68%	0.75%	0.83%
Term		2 years Expiry date: Nov 7, 2018	3 years Expiry date: Nov 7, 2019	5 years Expiry date: Nov 7, 2021
Guarantee Agency		None		
Consignee		Bank SinoPac Company Limited		
Underwriting institution		None		
Certified lawyer		None		
CPA		None		
Repayment method		Repayment in lump sum upon maturity		
Outstanding principal		1,200,000	900,000	900,000
Terms about redemption or advance repayment		None		
Restrictive clause		None		
Name of credit rating agency: Rating date: Rating of corporate bonds:		None		
Other rights attached	As of the printing date of this Annual Report, amount of (exchanged or subscribed) ordinary shares, GDRs or other securities converted	N/A		
	Issuance and conversion (exchange or subscription) method	None		
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None		
Transfer Agent		None		

Unit: NT\$000

Corporate Bond Type		The 1 <sup>st</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2017				
		Note A	Note B	Note C	Note C	Note C
Issuing (handling) date		May 7, 2017	May 7, 2017	May 7, 2017	May 7, 2017	May 7, 2017
Denomination		1,000				
Issuing and		GreTai Securities Market (OTC)				
Issue price		Issue by denomination				
Total amount		500,000	3,200,000	4,000,000	900,000	400,000
Interest rate		0.8%	0.95%	1.12%	1.36%	1.53%
Term		2 years Expiry date: May 7, 2019	3 years Expiry date: May 7, 2020	5 years Expiry date: May 7, 2022	7 years Expiry date: May 7, 2024	10 years Expiry date: May 7, 2027
Guarantee		None				
Consignee		Bank SinoPac Company Limited				
Underwriting		None				
Certified lawyer		None				
CPA		None				
Repayment		Repayment in lump sum upon maturity				
Outstanding		500,000	3,200,000	4,000,000	900,000	400,000
Terms about redemption		None				
Restrictive clause		None				
Name of credit rating agency: Rating date:		None				
Other rights attached	As of the printing date of this Annual Report, amount of	N/A				
	Is sufficient	None				
Issuance and conversion, exchange or subscription method,		None				
Transfer Agent		None				

Unit: NT\$000

Corporate Bond Type		The 2 <sup>nd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2017						
		Note A	Note B	Note C	Note D	Note E	Note F	Note G
Issuing (handling) date		Aug8, 2017	Aug8, 2017	Aug8, 2017	Aug8, 2017	Aug8, 2017	Aug8, 2017	Aug8, 2017
Denomination		1,000						
Issuing and transaction		GreTai Securities Market (OTC)						
Issue price		Issue by denomination						
Total amount		400,000	1,800,000	800,000	3,100,000	200,000	2,000,000	700,000
Interest rate		0.78%	0.90%	0.98%	1.04%	1.18%	1.3%	1.52%
Term		2 years Expiry date:Aug8, 2019	3 years Expiry date: Aug8, 2020	4.years Expiry date: Aug 8, 2021	5 years Expiry date: Aug 8, 2022	6 years Expiry date: Aug 8, 2023	7 years Expiry date: Aug 8, 2024	10years Expiry date: Aug 8, 2027
Guarantee Agency		None						
Consignee		Bank SinoPac Company Limited						
Underwriting institution		None						
Certified lawyer		None						
CPA		None						
Repayment method		Repayment in lump sum upon maturity						
Outstanding principal		400,000	1,800,000	800,000	3,100,000	200,000	2,000,000	700,000
Terms about redemption or		None						
Restrictive clause		None						
Name of credit rating agency:		None						
Other rights attached	As of the printing date of this Annual Report,	N/A						
	Issuance and conversion	None						
Issuance and conversion, exchange or subscription method, issuing		None						
Transfer Agent		None						

Unit: NT\$000

Unit: NT\$

Corporate Bond Type		The 3 <sup>rd</sup> Tranche of Unsecured Ordinary Corporate Bonds, 2017			
		Note A	Note B	Note C	Note D
Issuing (handling) date		Nov.16, 2017	Nov.16, 2017	Nov.16, 2017	Nov.16, 2017
Denomination		1,000			
Issuing and		GreTai Securities Market (OTC)			
Issue price		Issue by denomination			
Total amount		3,100,000	2,950,000	1,950,000	1,000,000
Interest rate		0.84%	1.00%	1.18%	1.4%
Term		3 years Expiry date: Nov.16, 2020	5 years Expiry date: Nov.16, 2022	7 years Expiry date: Nov.16, 2024	10 years Expiry date: Nov.16, 2027
Guarantee		None			
Consignee		Bank SinoPac Company Limited			
Underwriting		None			
Certified lawyer		None			
CPA		None			
Repayment		Repayment in lump sum upon maturity			
Outstanding		3,100,000	2,950,000	1,950,000	1,000,000
Terms about redemption		None			
Restrictive clause		None			
Name of credit rating agency: Rating date:		None			
Other rights attached	As of the printing date of this Annual Report, amount of	N/A			
	Is sufficient	None			
Issuance and conversion, exchange or subscription method,		None			
Transfer Agent		None			

**(b) Convertible Bonds:**

Unit: NT\$

Type of Bond		The first unsecured convertible bond for the year 2016	
Issue date		2017	As of April.30,2018
Market price per unit	Highest	103.853	102.583
	Lowest	98.757	99.731
	Average	101.088	101.332
Convertible Price		145	
Issue date and convertible price		Issued on November 6, 2017 NT\$145	
Conversion way		Issuing new stocks	

**(c) Information about exchangeable bonds:**

None.

**(d) Information about shelf registration to issue corporate bonds:**

None.

**(e) Information about bonds with attached warrants:**

None.

**C. Preferred Shares (with warrants)**

None.

## D. Global Depositary Receipts (GDR)

As of April 30, 2018, the global depository receipts issued by the Company totalled 332,753,240 units. (Stock dividends issued increased 247,091,129 units from 2000 to 2015. In addition, ECB issued 26,296,111 units of GDR in total.)

4/30/2018

Item \ Issue date		October 7, 1999	March 17, 2005
Issuing and transaction location:		Issuing location: Europe, Asia, USA Transaction location: London Stock Exchange	Issuing location: Europe, Asia, USA Transaction location: London Stock Exchange
Total amount:		USD 416,700,000	USD 257,178,618.20
Unit issue price:		USD 13.89	USD 8.7577
Total of issued unit		(1) 25,000,000 units (2) 5,000,000 units 30,000,000 units in total	29,366,000 units
Source of securities represented		(1) Issuance of new shares for cash increase (2) The Company's common shares held by the original shareholders	The Company's common shares held by the original shareholders
Amount of securities represented		60,000,000 common shares	58,732,000 common shares
GDR holders' rights and obligations		1. Right to vote 2. Right to distribute dividend, subscribe new shares and other rights	1. Right to vote 2. Right to distribute dividend, subscribe new shares and other rights
Consignee		None	None
Depository Bank		Citibank N. A	Citibank N. A
Custodian Bank		Citibank N. A, Taipei Branch	Citibank N. A, Taipei Branch
Outstanding balance		128,124,022 units (Securities represented 256,248,052 shares)	
Method to share the expenses incurred during the issuance and duration		Issue cost: amortized by the issuing companies and shareholder participants according to the actual shares issued Expenses incurred in the duration: amortized by the issuing company	
Important conventions about depository and escrow agreement		The depository institute performs the obligations for GDR holders, while the guarantee agency keeps GDR common shares represented.	
Market price per unit (Unit: USD)	2017	Highest	8.04
		Lowest	5.12
		Average	6.768
	Current year to date Apr 30, 2017	Highest	6.66
		Lowest	5.31
		Average	6.135

**E. Subscription of warrants for employees**

None.

**F. Name of managers holding warrants for employees and top ten employees in terms of subscription of warrants, and the acquisition status**

None.

**G. Subscription of new shares for employee restricted stocks**

None.

**H. Name of managers holding the new shares for employee restricted stocks and top ten employees in terms of subscription of the new share, and the acquisition status**

None.

**I. Issuance of new shares due to acquisition of shares of another company**

- (a) During the latest year and up to the printing date of this Annual Report, the Company has issued new shares due to acquisition of shares of another company:

(1)The assessment prepared by lead securities underwriter concerning the issuance of new shares due to acquisition of shares of another company within the past quarter:

None.

(2)The implementation status of the past quarter. If the progress or benefit of such implementation is not as expected, its impact on shareholders' equity and an improvement plan shall be stated specifically:

N/A.

- (b) The acquisition or issuance of new shares approved by the Board of Directors during the latest year and up to the printing date of this Annual Report:

None.

**J. Implementation of fund usage plan**

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years.

## **V. Operational Highlights**

### **A. Business Activities**

#### **(1) Business scope**

##### **(a) Major content of business activities**

IT, communications, automation devices, photo-electricity, precise machinery, auto, production, sales and service related with connectors, casings, radiators, assembled parts of consuming electronics as well as assembly of network cables. The products manufactured by the Company include:

- (i) I/O product line: IN-PUT, OUT-PUT connectors.
- (ii) IC line packaging and product line of expansion memory: connector for IC line and memory IC expansion bracket.
- (iii) Product line of system connector: electrical coupler of host and branch system.
- (iv) Product lines of network connection and output & input device: terminal, scanner, keyboard, monitor, mouse, network integrated connecting cables.
- (v) Photo-electricity connecting product line: optical connectors and connecting wire network used in digital network.
- (vi) Compound connectors with electronic processing functions: filtering connectors, static-free connectors and high frequency connectors.
- (vii) EISA graphics card connectors under new industrial standard: expansion slot connectors with open framework.
- (viii) Casings, radiators, spare parts processed by precision metal, engineering plastic module, precise machinery components used in IT products, Bare System and consuming electronic products.
- (ix) Assembly and processing of memory card
- (x) Broadband communications, wireless mobile communications and end-to-end communication products
- (xi) Ethernet switch and wireless network products

##### **(b) Operational proportion**

100% of the products are 3C electronics (Computer, Communication, Consumer Electronics). The output and sales volume of the recent two years can be found in the table of Production and Sales.

##### **(c) Current product items**

The Company's products cover the spares parts, modules and system assemblies for 3C electronics. The spare parts may include 3C connectors, line assembled products and other spare parts; the modules may include the machinery modules (e.g. the casing of 3C products) and electronic modules (e.g. surface adhesive product for 3C products); the system assembly is mainly for finished 3C products.

##### **(d) New products to be developed**

As for the R&D of new products, the Company will focus on connectors such as compound, modular, high frequency, photo-electricity and surface-mounted connectors. It will follow trends and make its PCs, peripheral products, and electronic consumer products lighter, thinner, shorter, smaller, more surface-mounted and modularized as well as integrated with communications

**(2) R&D expenses for recent years**

Unit: NT\$ Thousand		
Year	2017	Jan-Mar., 2018
R&D Expenses	81,781,154	16,008,539
R&D Expenses to Revenue %	1.17%	1.56%

## B. Production and Sales Status

### (1) Key Accounts in the Past Two Years

#### (a) Key Vendors

Unit: NT\$million

	2016				2017				As of end of Q1 2018			
Item	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	Vendor L	1,306,440	36.94%	Nil	Vendor L	1,313,013	31.54%	Nil	Vendor L	273,862	30.77%	Nil
	Others	2,230,580	63.06%		Others	2,850,194	68.46%		Others	616,040	69.23%	-
	Total Net Purchases	3,537,020	100.00%		Total Net Purchases	4,163,207	100.00%		Total Net Purchases	889,902	100.00%	-

#### (b) Key Customers

Unit: NT\$million

	2016				2017				As of end of Q1 2018			
Item	Customer	Amount	Percentage of total Net Sales (%)	Relationship with the issuer	Customer	Amount	Percentage of total Net Sales (%)	Relationship with the issuer	Customer	Amount	Percentage of total Net Sales (%)	Relationship with the issuer
1	Customer E	2,362,827	54.21%	Nil	Customer E	2,406,403	51.13%	Nil	Customer E	465,196	45.23%	Nil
2	Customer B	300,169	6.89%	Nil	Customer B	329,263	7%	Nil	Customer B	84,944	8.26%	Nil
3	Customer C	340,755	7.82%	Nil	Customer C	291,056	6.18%	Nil	Customer C	72,263	7.03%	Nil
	Others	1,354,982	31.09%	-	Others	1,680,014	35.69%	-	Others	406,191	39.49%	-
	Total Net Sales	4,358,733	100%	-	Total Net Sales	4,706,736	100%	-	Total Net Sales	1,028,594	100%	-

**(2) Production Value in the Most Recent Years**

Unit: 1,000 pcs, NT\$000

Quantity & Value Major Product	2016			2017		
	Capacity	Quantity	Value	Capacity	Quantity	Value
3C Electronics	25,643,720	23,180,128	3,220,048,346	23,867,068	21,574,158	3,012,600,124

**(3) Sales Value in the Most Recent Years**

Unit: 1,000 pcs, NT\$000

Quantity & Value Major Product	2016				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
3C Electronics	79,204	11,707,540	21,921,888	3,240,387,146	86,315	12,492,676	21,492,361	3,073,557,528
Service and Management Fee Incomes	—	—	—	47,226,005	—	—	—	32,035,472

**(4) Taiwan Employee Data during the Past Two Years and Up to April 30, 2018**

Year		2016	2017	Up to Apr 30, 2018
Employee Number	Staff	154,984	153,692	143,942
	Operator	675,190	649,434	460,698
	Total	830,174	803,126	604,640
Average Age		28.65	28.65	28.51
Average Seniority		3.94	3.94	3.63
Education Distribution %	PhD Degree	0.03%	0.03%	0.03%
	Master Degree	0.83%	0.99%	1.05%
	College	15.56%	16.34%	19.75%
	High School	43.23%	39.01%	38.38%
	Below High School	40.35%	43.63%	40.80%

## C. Information on Environmental Protection Costs

**(1) The loss caused by environmental pollution during the latest year and up to the printing date of this Annual Report:**

None.

**(2)**

- (a)** The main workshops and production facilities of the Company are located in Tucheng Industrial Park or Hsinchu Science Park. The Company takes environmental protection as its priority, and carries out immediate correction once discovering any problem. It also makes inspection on the existing preventive facilities. Apart from creating a good working and living environment for its employees and the neighborhood, it strictly complies with the discharge standard. For the pollution and wastes generated in the production process, the Company takes the following steps to protect the environment:
- (i)** Prevention of water pollution: set up wastewater treatment plants and water quality analysis laboratory in Tucheng factory. Chemical method is applied in wastewater treatment, in which pollutants are removed from wastewater and discharged through discharge outlets. The lab has various instruments to measure temperature, PH value, chemical oxygen demand and suspended solid and analyze heavy metal, so that daily inspection on discharging water can be made and water discharge can be well controlled. The Company's factories in Huyue, Minsheng and Hsinchu all received a letter on permit to connect wastewater (or sewage) to the sewer system, under the reference of TFZ No. 1065061681, 0955060439 and YLZ No.1000004253 and No.1035060107respectively
  - (ii)** Prevention of stationary pollution source: waste gas is collected by extraction pipes, and released to the air after the pollutants are removed through the wet scrubber. Every year, the external testing organization is commissioned to detect the viscosity of pollutants in exhaust gas and reports the result to the competent authorities of environmental protection. The Company obtained the Operating Permit of Stationary Pollution Source in 1998 and extended it in June 2008. The permit No. is: BXCZD No. F0447-02. Currently, the total consumption of acid and alkali does not meet the control standards, and the Permit was returned to the authority per Letter No. 1012095840 from the Environmental Protection Bureau.
  - (iii)** Cleaning of wastes: Works are done in accordance with the Waste Cleaning Plan, and the disposal of waste is reported online in a legal way, and wastes are legally cleaned and recycled.
  - (iv)** Management on toxic chemicals: Toxic chemicals are stored separately and strictly controlled. Moreover, documents on use and inspection are obtained legally, and periodically reported to the component department of environmental protection.
- (b)** The Company has been adhering to the environmental policy of "pollution control and prevention, continuous waste reduction, providing environment-friendly products, protecting the earth, creating a green enterprise," and strictly abiding by laws and regulations on environmental protection and clients' requirements by means of effectively

controlling raw materials, manufacturing process and delivery. Besides, it is dedicated to continuous improvement in order to better product quality, make sure the products free from restricted materials and promote the transformation of upstream suppliers to green supplying chain so as to comply with ROHS requirements.

- (c) Current pollution status, the influence of improvement on the Company's earnings, competitive position and capital expenditure, estimated major expenditure on environmental protection in the following two years:

- (i) Estimated expenditure on environmental protection in the next two years

Unit: NT\$000

	2018	2019
Expense or equipment to be purchased for pollution control	None	None
Predicted improvement	None	None
Amount paid	None	None

- (ii) Influence after improvement

• Influence on net profit	None	None
• Influence on competitive position	None	None

## D. Labor Relations

Current important labor agreement and implementation:

The Company has been treating its employees with sincerity and established mutual trust with them through its welfare system and good training system that guarantee a fulfilling and stable life for them. Though there is no union in the Company, but the Company has established "Workers and Employers Meeting" and meets regularly pursuant to the law, over the years, its employees can give full play to their team spirit, coordinate the Company's decision, cooperate with each other to create a harmonious environment for working. The Company pursuant to the relevant labor laws and regulations, to protect the legitimate interests of employees, provides employees with safe and healthy working environment, and set up an employee feedback and complaints mechanism. The Company adopts the followings measures to build a harmonious labor relation:

- (1) Welfare measures for employees:

Founded in July 1985, the Welfare Committee is composed of 15 members, including 5 appointed by the employer and 10 by employees. The committee members are re-elected every three years, and there are dedicated members appointed to deal with the routine administrative works of the Committee.

Meanwhile, the company has set up the Health Department, which has developed a series of welfare measures to employees and their families in terms of health improvement and health care.

At present, the welfare offerings by the Welfare Committee are as follows:

1. The food allowance;
2. Birthday gift (cash or other present);
3. Lucky draw during get-togethers;
4. Support employees community activities, recreation and entertainment (such as provide employee gym and massage services);
5. Health promotion activities (such as lectures, yoga courses, weight loss programs);
6. Health and medical consultation;
7. Employee birth allowance, child allowance, and provide traffic subsidy, nutrition subsidy, and healthcare for pregnant employees;
8. Employee wedding gift and funeral condolence payments;
9. Training allowance;
10. Group insurance.

**(2) Career Development and Training for Employees**

Education and training is one of the basic employee welfares provided by the Company. The Company encourages employees to “take on-the-job-training, and apply what they’ve learned to work”. We support the integration of theory and implementation. The Company takes training as a means to improve employee quality and their work skills, promote the group performance, and facilitate the realization of its operation target of “long term, stability, development, science and technology, internationality”. The Company formulated the Method on Employee Trainings. The Company has won the bronze medal of TTQS Enterprise Edition Training Quality from Workforce Development Agency of Executive Yuan in 2017, and has established training courses that conform to the Group strategy and employee development based on the education and training quality manual. Based on this, the Company provided 836,178 hours of trainings with the training fees reaching up to NT\$9,179,046 in 2017. The main content of training includes:

**(a) Orientation for new employees**

New employees are guided to familiarize themselves with organization development, history, corporate culture, the work environment. We provide them with courses on legal knowledge and information security

**(b) Management trainee program**

Management trainee program includes three portions: The first portion consists of training courses that facilitates group discussions of management trainees. A training to familiarize trainees with the Company and business groups; On-site practical training for the trainees to learn production related knowledge, innovation and creativity, and problem-solving courses to help increase employees’ soft skills and adaptability; the second portion is functional practical training for the trainees to learn during work and acquire knowledge through mentor program. The third portion is department internships to allow new cadres to work internships and impart work knowledge through the counselor system

(c) Technology and Development Committee oisWith the horizontal integration of the Technology and Development Committee, employees can join different committees according to their job characteristics and professional fields. The Technology and Development Committee has introduced the latest knowledge and technology in various fields to promote exchange of technical expertise, set out a complete training structure for professional technicians, and require review on professional expertise for promotions.

(d) Development of management skills

The Company has worked out its own training program to develop management skills at different management level according to their management needs and criteria for promotions. The training programs are diversified and colorful and they help supervisors develop their management skills for “organization establishment, manpower allocation, and system set up.”

(e) Hon Hai IE Academy

The IE Academy establishes training policies and a training management system and on-line study platform to make the training programs process-oriented, simplified, standardized, systematized, information-based and networked.

(f) Lectures given by international celebrities

The Company invites top global talents in various fields to give lectures to employees in the Company, including those from the industry trend, artificial intelligence, industrial IoT, Big Data, robotics, industry 4.0, and the "creative, innovation, and entrepreneurship" fields.

(g) Health Promotion Lectures

The health management center regularly invites health promotion, sports, mental health, CPR, and AED experts to hold appropriate courses during each season in order to help the colleagues to relax after work and to receive in-depth health promotion related knowledge

(h) Library

The Company has a professional library that provide online and offline book borrowing services including abundant sources of journals and books as well as well-equipped reading rooms and audiovisual apparatus. In addition, we have provided employees with e-library services for them to borrow e-books and magazines online, thereby removing the space and time learning constraints when the employees are off work.

**(3) Code of conduct or ethics**

In order to help employees have a better understanding of ethics, rights, obligations and the code of conduct, the Company hereby works out the relevant measures and regulations to provide basis for all employees. The relevant measures are briefed as follows:

- (a) Rules on decision-making right and right decentralization: to improve work efficiency, strengthen the management on right decentralization and effectively standardize the rights of employees at different level.
- (b) Organizational structure and duties of each department: definitely regulate the organizational functions of each unit and the duties of each post
- (c) The Employee Handbook is prepared to help employees understand the relevant measures and regulations

- (1) Tutoring programs for new employees: to eliminate the new employees' insecurity towards the new environment and soon familiarize the working environment and colleagues after reporting for duty, and help them to get their mind and body ready for work and reduce the turnover rate within a short period.
  - (2) Code of business ethics: to improve all employees' behavioral quality, business ethics and expertise and try to maximize the Company's benefit within the legal scope. Every employee has the responsibility to prevent the Company's interests from being lost or impaired and is obliged to maintain the Company's reputation so as to guarantee its permanent growth and development.
  - (3) Employee attendance: strengthen the attendance system to establish a good working discipline for employees.
  - (4) Reward and punishment system: Rewards or punishment are given to employees whose behavior or conduct has brought benefit or loss for the Company in operation.
  - (5) Leave-related measures for employees: to provide basis for employees to take and ask for a leave.
  - (6) Performance assessment method for employees: employees' working achievements and performance are assessed annually as the basis for salary adjustment, promotion, issuance of bonus and arrangement for training courses.
- (4) Working environment and protective measures for employees' personal safety
- (a) The Company continued to maintain the occupational safety and health management system, passed the certification of SGS Company and obtained the OHSAS18001 and CNS15506 certificates in 2017.
  - (b) The Company has formulated the safety and health policy and promised to achieve the goal of zero injury, zero occupational disease and zero accident so as to create a best working environment for all employees.
  - (c) The Company was awarded "Outstanding institutions Award" & "Professionalism and safety & health personnel Outstanding Award" of the New Taipei City in May 2017.
  - (d) Employees' personal safety: The Company has, according to the Implementation Rules for Public Institutions on Records of Labor-hour without Occupational Injury, taken part in the competition of non-occupational injury record during labor-hour and hit the record of 7.98 million labor-hours without occupational injury.
  - (e) Industrial safety: A Safety and Disaster Prevention Center is set up at the Tucheng headquarters. Each plant can exchange safety messages instantly, provide immediate safety and disaster prevention information, and can focus on emergency response personnel training, thus strengthening the Hon Hai Group's safety and disaster prevention system. Infrared thermal imaging inspections of all electrical boards and other equipment in all factories is performed, as well as the establishment of infrared thermal imaging personnel training. A total of 13 seed personnel completed the inspection reports, effectively reducing the factorywide fire risk.

- (f) Security and Fire Protection System Management: Managed the factory safety and security equipment with the propriety rate of 99.5%, and constructed the industrial safety cloud and other modules to ensure that the software, hardware, and management mechanisms for the factories are in normal operation. Implemented infrared thermal imaging detections for the electric plates and other electrical equipment in the factory and established the infrared thermal imaging promotional team trainings. A total of 13 seed employees have completed test reports, identified and corrected the problems, and effectively reduced the fire risks in the factories.
- (g) Occupational health: Inventoried the physical and chemical hazards of the various units according to the annual safety and health management plan, completed the sampling strategy of the operating environment monitoring plan, and the monitoring results are in compliance with the standard. We completed four major plans (unlawful infringement, personal risks, maternity, and overwork) in accordance with regulations to protect employees from occupational diseases and unlawful infringement.
- (h) In 2017, the Company performed a plant safety and health month in Taiwan, which include: checkpoints, industrial safety, broad vision and healthy games. A total number of 9,748 employees took part in 21 activities. We also connect with plants in Mainland China to organize safety, health, and fire safety seminars to improve employee awareness. The Xiang Xin app developed by the Group has completed online training through mobile devices for a total of 1,341 people. Factory safety audits have been conducted, and a total of 734 inadequacies have been identified and corrected in order to enhance staff safety awareness.

#### (5) Retirement System:

The Company has formulated the retirement and pension plans for employees according to the Labor Standards Act and the Labor Pension Act, including:

- (a) Qualification for Labor Standards Act (old system): defined benefit pension plan is adopted
  - (1) Retirement application: a worker may apply for voluntary retirement under any of the following conditions: where the worker attains the age of fifty-five and has worked for fifteen years; where the worker has worked for more than twenty-five years; where the worker attains the age of sixty and has worked for ten years.
  - (2) Pension payment: the retirement pension base shall be one month's average wage of the worker at the time when his or her retirement is approved. Two bases are given for each full year of service. Those having served over 15 years are given one base for each full year of service and the total number of bases shall be no more than 45. Length of services is calculated as half year when it is less than six months and as one year when it is more than six months. As set forth in Article 54 of the Labor Standards Act, an additional 20% on top of the amount calculated according to the preceding shall be given to workers forced to retire due to conditions incurred from the execution of their duties.

- (3) The supervision of pension funds: Since January 1987, the Company legally established the Supervisory Committee of Workers' Retirement Fund, which is re-elected every three years and in charge of checking the amount, deposit and withdrawal as well as payment of retirement fund so as to ensure employees' rights.
- (b) Qualification for the Labor Pension Act (new system): defined contribution pension plan is adopted.
  - (1) The Company grants 6% per month: according to the Monthly Appropriation Scale of the Labor Pension issued by the Bureau of Labor, the Company appropriate 6% of the worker's monthly wage to his/her personal pension fund account.
  - (2) Employee retirement reserve allocation: The Company shall set aside 2% of the total employee monthly salary amount and deposit them into the employee retirement reserve account pursuant to the applicable retirement system provided by the Labor Standards Act; and ensure that this amount cannot be used as a subject of transfer, seizure, offset, or collateral. Before the end of each year, the employee retirement reserve account balance shall be calculated. If the balance is insufficient to pay employees with conditions specified in Article 53 or Subparagraph 1, Paragraph 1 of Article 54 of the Labor Standard Act for the next year, the Company shall make up the differences before the end of March next year.
  - (3) Employee contribution: workers may also voluntarily contribute within 6% of their wage to the labor pension.

(6) Other important agreements:

None.

(7) Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report:

The Company has no major dispute on labor relation or labor agreement in the latest year and up to the printing date of this Annual Report.

## VI. Financial Standing

### A. Most Recent 5-Year Concise Financial Information

#### (1) Concise Balance Sheet and Statement of Comprehensive Income

#### Concise Consolidated Balance Sheet

Unit: NT\$000

Item \ Period		2013	2014	2015	2016	2017	As of March 31, 2018 (Note1)
Current assets		1,808,581,488	1,932,421,355	1,788,218,973	1,931,201,379	2,746,136,117	2,049,928,926
Net property, plant and equipment		379,561,941	358,868,558	336,738,466	309,202,470	278,204,005	278,442,473
Intangible assets		12,815,278	4,440,091	3,253,837	10,532,956	9,552,444	9,200,935
Other assets		65,219,497	166,984,745	180,088,601	341,106,135	373,324,047	384,661,678
Total assets		2,312,461,203	2,462,714,749	2,308,299,877	2,592,042,940	3,407,216,613	2,722,234,012
Current liabilities	Before Distribution	1,252,367,888	1,358,960,771	1,056,122,201	1,252,645,231	2,025,202,267	1,304,541,656
	After Distribution	1,382,592,443	1,358,816,743	1,118,675,354	1,330,624,553	Note	Note
Non-current liabilities		147,575,830	175,436,150	191,786,597	205,609,111	209,921,891	213,378,538
Total liability	Before Distribution	1,506,536,601	1,478,037,947	1,247,908,798	1,458,254,342	2,235,424,158	1,517,920,194
	After Distribution	1,530,168,273	1,534,252,893	1,310,461,951	1,536,233,664	Note	Note
Equity attributable to owners of parent		764,670,066	930,231,233	1,007,629,838	1,078,749,394	1,084,220,815	1,116,836,820
Share capital		131,287,068	147,934,068	156,382,881	173,287,383	173,287,383	173,287,383
Capital surplus		64,792,873	71,659,908	81,736,538	93,046,611	97,872,884	98,176,084
Retained earnings	Before Distribution	536,880,165	627,058,978	709,407,639	779,926,034	840,618,759	872,009,088
	After Distribution	497,494,045	563,447,329	631,216,198	701,946,712	Note	Note
Other equity interest		83,597,180	60,121,681	32,508,267	32,508,267	(27,539,310)	(26,616,834)
Treasury shares		(18,901)	(18,901)	(18,901)	(18,901)	(18,901)	(18,901)
Non-controlling interests		41,254,536	54,445,569	52,761,241	55,039,204	87,571,640	87,476,998
Total equity	Before Distribution	805,924,602	984,676,802	1,060,391,079	1,133,788,598	1,171,792,455	1,204,313,818
	After Distribution	782,292,930	928,461,856	997,837,926	1,055,809,276	Note	Note

Note: As of April 30, 2018, the amount of after distribution has not presented due to the proposal of earnings distribution of year 2017 had not yet been submitted to the Shareholders' Meeting.

## Concise Stand-alone Balance Sheet

Unit: NT\$000

Item \ Period		Most Recent 5-Year Financial Information					As of March 31, 2018
		2013	2014	2015	2016	2017	
Current assets		1,257,198,227	1,568,650,755	1,587,371,469	1,666,153,999	1,997,909,004	N/A
Net property, plant and equipment		18,796,580	14,324,833	24,081,782	33,092,616	5,570,886	
Intangible assets		-	-	-	-	-	
Other assets		726,961,760	872,089,002	977,903,272	1,213,811,098	1,267,133,954	
Total assets		2,002,956,567	2,455,064,590	2,589,356,523	2,913,057,713	3,270,613,844	
Current liabilities	Before Distribution	1,147,838,828	1,417,614,890	1,455,603,059	1,706,820,642	2,046,923,672	
	After Distribution	1,171,470,500	1,473,829,836	1,518,156,212	1,784,799,964	Note	
Non-current liabilities		90,447,673	107,218,467	126,123,626	127,487,677	139,469,357	
Total liability	Before Distribution	1,238,286,501	1,524,833,357	1,581,726,685	1,834,308,319	2,186,393,029	
	After Distribution	1,261,918,173	1,581,048,303	1,644,279,838	1,912,287,641	Note	
Equity attributable to owners of parent		-	-	-	-	-	
Share capital		131,287,068	147,934,068	156,382,881	173,287,383	173,287,383	
Capital surplus		64,792,873	71,659,908	81,736,538	93,046,611	97,872,884	
Retained earnings	Before Distribution	536,880,165	627,058,978	709,407,639	779,926,034	840,618,759	
	After Distribution	497,494,045	563,447,329	631,216,198	701,946,712	Note	
Other equity interest		31,728,861	83,597,180	60,121,681	32,508,267	(27,539,310)	
Treasury shares		(18,901)	(18,901)	(18,901)	(18,901)	(18,901)	
Non-controlling interests		-	-	-	-	-	
Total equity	Before Distribution	764,670,066	930,231,233	1,007,629,838	1,078,749,394	1,084,220,815	
	After Distribution	741,038,394	874,016,287	945,076,685	1,000,770,072	Note	

Note: As of April 30, 2018, the amount of after distribution has not presented due to the proposal of earnings distribution of year 2017 had not yet been submitted to the Shareholders' Meeting.

## Concise Consolidated Statement of Comprehensive Income

Unit: NT\$000

Item \ Period	Most Recent 5-Year Financial Information					As of March 31, 2018
	2013	2014	2015	2016	2017	
Operating revenue	3,952,317,540	4,213,172,321	4,482,145,967	4,358,733,357	4,706,736,096	1,028,594,580
Gross profit (loss) from operations	254,694,501	291,943,856	320,591,969	321,584,980	303,006,947	63,676,734
Net operating income (loss)	109,314,396	143,191,411	164,268,571	174,939,501	112,570,431	24,659,860
Non-operating income and expenses	26,981,301	30,928,961	34,769,744	23,010,244	70,302,192	5,220,472
Profit (loss) from continuing operations before tax	136,295,697	174,120,372	199,038,315	197,949,745	182,872,623	29,880,332
Profit (loss) from continuing operations	107,345,876	132,481,822	150,201,416	151,357,164	135,374,528	24,017,045
Loss from discontinuing operations	-	-	-	-	-	-
Net Profit (loss)	107,345,876	132,481,822	150,201,416	151,357,164	135,374,528	24,017,045
Other comprehensive income, net	24,534,711	55,569,496	(29,072,832)	(31,214,221)	(56,392,558)	6,803,762
Total comprehensive income	131,880,587	188,051,318	121,128,584	120,142,943	78,981,970	30,820,807
Profit (loss), attributable to owners of parent	106,697,157	130,534,729	146,866,977	148,662,983	138,734,401	24,080,663
Profit (loss), attributable to non-controlling interests	648,719	1,947,093	3,334,439	2,694,181	(3,359,872)	(63,618)
Comprehensive income, attributable to owners of parent	130,621,274	182,370,027	123,263,182	121,097,464	78,641,529	30,609,913
Comprehensive income, attributable to non-controlling interests	1,259,313	5,681,291	(2,134,598)	(954,521)	340,441	210,894
Basic earnings per share	7.26	8.85	8.54	8.60	8.01	1.39

## Concise Stand-alone Statement of Comprehensive Income

Unit: NT\$000

Item \ Period	Most Recent 5-Year Financial Information					As of March 31, 2018
	2013	2014	2015	2016	2017	
Operating revenue	3,263,012,896	3,403,634,364	3,637,662,229	3,299,320,691	3,118,085,676	N/A
Gross profit (loss) from operations	74,287,268	89,642,444	97,384,599	88,938,180	95,229,487	
Net operating income (loss)	47,308,460	59,418,095	67,405,791	62,620,638	66,590,226	
Non-operating income and expenses	73,895,256	88,644,153	98,632,603	101,844,119	93,826,873	
Profit (loss) from continuing operations before tax	121,203,716	148,062,248	166,038,394	164,464,757	160,417,099	
Profit (loss) from continuing operations	106,697,157	130,534,729	146,866,977	148,662,983	138,734,401	
Loss from discontinuing operations	-	-	-	-	-	
Net Profit (loss)	106,697,157	130,534,729	146,866,977	148,662,983	138,734,401	
Other comprehensive income, net	23,924,117	51,835,298	(23,603,795)	(27,565,519)	(60,092,872)	
Total comprehensive income	130,621,274	182,370,027	123,263,182	121,097,464	78,641,529	
Profit (loss), attributable to owners of parent	-	-	-	-	-	
Profit (loss), attributable to non-controlling interests	-	-	-	-	-	
Comprehensive income, attributable to owners of parent	130,621,274	182,370,027	123,263,182	121,097,464	78,641,529	
Comprehensive income, attributable to non-controlling interests	-	-	-	-	-	
Basic earnings per share	7.26	8.85	8.54	8.60	8.01	

### (2) CPAs and Their Opinions for Most Recent 5-Years

Year	Name of CPA	Auditor's Opinion	Reason for Changing CPA
2013	Yong-jian Hsu Ming-ling Xue	Modified unqualified opinion	—
2014	Han-chi Wu Ming-hui Chang	Modified unqualified opinion	Internal administrative organizational changes
2015	Han-chi Wu Ming-hui Chang	Modified unqualified opinion	—
2016	Yong-jian Hsu Ming-hui Chang	Modified unqualified opinion	Internal administrative organizational changes
2017	Yong-jian Hsu Ming-hui Chang	Modified unqualified opinion	—

## B. Most Recent 5-Year Financial Analysis

### (1) Financial Analysis on Consolidated Financial Statements

Unit: NT\$000

Item (Note 2) \ Period		Most Recent 5-Year Financial Information					As of March 31, 2018
		2013	2014	2015	2016	2017	
Financial Ratio (%)	Total liabilities to total assets	65.15%	60.02%	54.06%	56.26%	65.61%	55.76%
	Long-term capital to PP&E	247.15%	323.27%	371.85%	433.18%	496.66%	509.01%
Ability to payoff debt (%)	Current ratio	133.09%	148.35%	169.32%	154.17%	135.58%	157.14%
	Quick ratio	109.60%	118.45%	127.75%	122.21%	106.88%	111.49%
	Interest protection	17.76	12.72	11.55	12.02	6.36	3.87
Ability to operate	A/R turnover (times)	5.68	5.51	6.52	6.54	4.77	4.48
	A/R turnover days	64	66	56	56	77	81
	Inventory turnover (times)	10.57	10.89	9.86	9.25	8.74	6.5
	Account payable turnover (times)	5.47	5.42	6.03	5.96	4.57	4.27
	Days sales outstanding	35	34	37	39	42	56
	Fixed assets turnover (times)	10.07	11.41	12.89	13.50	16.03	14.78
	Total assets turnover (times)	1.81	1.76	1.88	1.78	1.57	1.34
Earning ability	Return on assets (%)	5.25%	6.02%	6.89%	7.01%	5.74%	1.06%
	Return on equity (%)	14.44%	14.80%	14.69%	13.80%	11.74%	2.02%
	PBT to pay-in capital %	103.82%	117.7%	127.28%	114.23%	1.5.53%	17.24%
	Net margin (%)	2.72%	3.14%	3.35%	3.47%	2.88%	2.33%
	EPS (NT\$) (Note 1)	7.26	8.85	8.54	8.60	8.01	1.39
Cash flow %	Cash flow ratio (%)	12.71%	14.64%	22.94%	13.89%	(1.94%)	0.49%
	Cash flow adequacy ratio (%)	87.52%	90.37%	111.58%	120.97%	73.19%	58.68%
	Cash reinvestment ratio (%)	13.07%	11.62%	11.89%	6.70%	(6.9%)	0.37%
Leverage	Operating leverage	4.69	4.08	3.79	3.42	5.32	4.91
	Financial leverage	1.09	1.12	1.13	1.18	1.52	1.73

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysis if less than 20%):

1. Interest protection multiples: The reduction in interest protection multiples was mainly due to an increase in loans due to funding requirements (corporate debt and short-term loans) that increased the payable interest in this period.
2. A/R turnover and A/R turnover days: The reduction of A/R turnover in this period is mainly due to the sales concentrated toward the end of the quarter while most of the payment has yet to be received, causing a reduction in the A/R turnover in this period.
3. Account Payable turnover: Mainly caused by concentrated purchases in which most of the payment has yet to be paid, causing a reduction in the account payable turnover in this period.
4. Return on assets: Mainly caused by the increase in account receivable and inventory that has led to a reduction in net cash flow in the business activities in this period.
5. Decrease of cash flow ration, cash flow adequacy ratio, and cash reinvestment ratio: Mainly cause by the increase of accounts receivable and inventory, which led to the decrease of operating net cash flow in this period.
6. Operating leverage and financial leverage: Their increase is mainly caused by the decrease of operating income.

Note:

1. Please refer to the details below for the formulas of items analyzed.

## (2) Financial Analysis on Stand-alone Financial Statements

Item (Note 2) \ Period		Most Recent 5-Year Financial Information					As of March 31, 2018
		2013	2014	2015	2016	2017	
Financial Ratio (%)	Total liabilities to total assets	61.82%	62.11%	61.09%	62.97%	66.85%	N/A
	Long-term capital to PP&E	4513.57%	7242.32%	4707.93%	3645.03%	21965.81%	
Ability to payoff debt (%)	Current ratio	109.53%	110.65%	109.05%	97.62%	97.61%	
	Quick ratio	101.24%	100.76%	98.49%	92.45%	93.85%	
	Interest protection	58.65	75.67	69.95	71.26	61.57	
Ability to operate	A/R turnover (times)	5.55	5.38	6.65	6.68	5.23	
	A/R turnover days	66	68	55	55	70	
	Inventory turnover (times)	31.98	28.83	24.14	24.48	33.16	
	Account payable turnover (times)	5.10	4.24	3.77	2.92	2.60	
	Days sales outstanding	11	13	15	15	11	
	Fixed assets turnover (times)	141.26	205.52	189.43	115.41	161.29	
	Total assets turnover (times)	1.75	1.53	1.44	1.20	1.01	
Earning ability	Return on assets (%)	5.84%	5.93	5.91	5.48%	4.56%	
	Return on equity (%)	15.14%	15.40%	15.16%	14.25%	12.83%	
	PBT to pay-in capital %	92.32%	100.09%	106.17%	94.91%	92.57%	
	Net margin (%)	3.27%	3.84%	4.04%	4.51%	4.45%	
	EPS (NT\$) (Note 1)	7.26	8.85	8.54	8.60	8.01	
Cash flow %	Cash flow ratio (%)	4.25%	22.63%	21.36%	11.40%	-3.91%	
	Cash flow adequacy ratio (%)	121.79%	179.69%	210.7%	190.20%	132.62%	
	Cash reinvestment ratio (%)	3.54%	28.19%	22.2%	10.81%	-12.86%	
Leverage	Operating leverage	1.58	1.49	1.43	1.46	1.42	
	Financial leverage	1.05	1.03	1.04	1.04	1.04	

The reasons for all financial ratio changes within the most recent two years are as follows (exempt from analysis if less than 20%):

1. Long-term capital to PP&E: Mainly due to the sales of Innolux equipment and construction projects that have not been completed that caused the decrease in PP&E and increase in long-term capital to PP&E, and the PP&E turnover.
2. A/R turnover and A/R turnover days: Sales in this period were concentrated at the end of the quarter when payments have yet to be made. This caused an increase in the account receivable at the end of the quarter, a decrease in A/R turnover and A/R turnover days.
3. Inventory turnover and days sales outstanding: We have implemented strict inventory controls in this period and it has led to a decrease in inventory at the end of the period, a decrease in average inventory, increase in turnover, and decrease in days sales outstanding.
4. Cash flow ratio: The cash flow from business activities decreased in this period and the cash flow ratio also decreased.
5. Cash flow adequacy ratio and cash reinvestment ratio: Mainly caused by cash expenditures from business activities in this period and an increase in the amount of distributed cash dividends which lowered the cash flow adequacy ratio and cash reinvestment ratio.

Note:

1. Please refer to the details below for the formulas of items analyzed.

Formula:

1. Financial Ratio

- (1) Total liabilities to Total assets = Total liabilities / Total assets
- (2) Long-term debts to fixed assets = (Net equity + Long-term debts) / Net fixed assets

2. Ability to Pay off Debt

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest protection = Net income before income tax and interest expense / Interest expense

3. Ability to Operate

- (1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
- (2) A/R turnover day = 365 / account receivable turnover
- (3) Inventory turnover = Cost of Goods Sold / the average of inventory
- (4) Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
- (5) Inventory turnover day = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net Fixed Assets
- (7) Total assets turnover = Net sales / Total assets

4. Earning Ability

- (1) Return on assets = [PAT + Interest expense  $\times$  (1 - interest rate)] / the average of total assets
- (2) Return on equity = PAT / the average of net equity
- (3) Net income ratio = PAT / Net sales
- (4) EPS = (PAT - Dividend from prefer stock) / weighted average outstanding shares

5. Cash Flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liability
- (2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)
- (3) Cash investment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

6. Leverage

- (1) Operating leverage = (Net revenue - variable cost of goods sold and operating expense) / operating income
- (2) Financial leverage = Operating income / (Operating income - interest expenses)

### **C. Audit Committee's Review Report**

The Board of Directors has prepared the Company's Financial Statements, 2017 Business Report and proposal for distribution of 2017 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2017 Business Report and proposal for distribution of 2017 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

**Hon Hai Precision Industry Co., Ltd.**

Chairman of the the Audit Committee: Kai-Fu Lee

On the date of May 11, 2018

**D. 2017 Consolidated Financial Statements with Subsidiaries Audited by CPA**

**HON HAI PRECISION INDUSTRY CO., LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2017 AND 2016**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Hon Hai Precision Industry Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Hon Hai Precision Industry Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (the “Codes”), and we have fulfilled our other ethical responsibilities in accordance with the Codes. Based on our audits and the audit reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2017 were as follows:

#### **Cut-off of hub sales revenue**

##### Description

Refer to Note 4(32) for accounting policies on revenue recognition.

The Group recognised revenue when the goods are drop shipped from factories directly and when customers accepted the goods (the transfer of significant risks and rewards of ownership of the goods) if picked up from hub. For pick-ups from hub, the Group recognises sales revenue based on movements of inventories contained in the statements or other information provided by the hub custodians. As the hubs are located around the world with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition involves numerous manual procedures, these factors may potentially result in inaccurate timing of sales revenue recognition and discrepancy

between physical inventory quantities in the hubs and quantities as reflected in accounting records.

As there are numerous daily sales revenue transactions from hubs and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, cut-off of hub sales revenue was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested the appropriateness of internal controls over cut-off of hub sales revenue for a specific time prior to and after the balance sheet date, including agreeing to respective supporting documents provided by hub custodians, and validated the proper timing of recognizing movements of inventories and respective transfer of cost of goods sold.
- B. Confirmed or conducted physical count of inventory quantities held at hubs and agreed to accounting records.

**Allowance for inventory valuation losses**

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(6) for details of inventories. As at December 31, 2017, the Group's inventories and allowance for inventory valuation losses amounted to NT\$590,511,929 thousand and NT\$29,557,074 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of 3C electronic products. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognize inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following procedures in relation to the provision for inventory valuation losses for individually obsolete or damaged inventories:

- A. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
- B. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
- C. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
- D. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation.

**Financial assets and financial liabilities offsetting agreement with financial institutions**

Description

Refer to Note 4(24) for accounting policies on offsetting of financial instruments, Note 5(1)2 for significant judgement on applying accounting policies on offsetting of financial

instruments, and Note 6(16) for details of offsetting of financial instruments. As of December 31, 2017, the financial instruments that were offset amounted to NT\$1,401,241,287 thousand.

The Group has entered into financial assets and financial liabilities offsetting agreements, which are in compliance with IAS 32, 'Financial instruments: Presentation', whereby financial assets and liabilities are offset and reported in the net amount since the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As the determination of whether the Group meets the criteria for offsetting prescribed in IAS 32, 'Financial instruments: Presentation' is subject to management's judgment, and the Group has entered into various individually significant financial assets and financial liabilities offsetting agreements, which would have material effect on the financial statements should the financial assets and financial liabilities be presented separately, we consider offsetting of financial assets and liabilities a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested internal controls over financial assets and financial liabilities offsetting agreements with financial institutions, including control processes in determining whether such agreements meet the criteria under IAS 32, 'Financial instruments: Presentation', and ascertained whether the offsetting made in the financial statements was properly approved and accounted for in compliance with the guidance in IAS 32.
- B. Obtained and reviewed terms of the above agreements and confirmed whether the criteria under IAS 32, 'Financial instruments: Presentation' were met as well as accounting treatments prescribed in the guidance.
- C. Confirmed the existence and the rights and obligations of financial assets and financial liabilities offsetting agreements with respective financial institutions.

**Other matter – Reference to audits of other independent accountants**

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the reports of other independent accountants. Total assets of those consolidated subsidiaries amounted to NT\$254,258,470 thousand and NT\$218,770,647 thousand, constituting 7.47% and 8.44% of the consolidated total assets as of December 31, 2017 and 2016, respectively, and total operating revenues amounted to NT\$359,947,049 thousand and NT\$186,958,207 thousand, constituting 7.65% and 4.29% of the consolidated total operating revenues for the years then ended, respectively.

**Other matter – Parent company only financial reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Hon Hai Precision Industry Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial

statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

### **Independent accountant's responsibilities for the audit of the consolidated financial statements**

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hsu, Yung-Chien Chang, Ming-Hui  
for and on behalf of PricewaterhouseCoopers, Taiwan  
March 30, 2018

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The accompanying consolidated financial statements are not intended to present the financial position a operations and cash flows in accordance with accounting principles generally accepted in countries and juris than the Republic of China. The standards, procedures and practices in the Republic of China governing the financial statements may differ from those generally accepted in countries and jurisdictions other than the Repu Accordingly, the accompanying consolidated financial statements and report of independent accountants are no use by those who are not informed about the accounting principles or auditing standards generally accepted in of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept ar the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from tl

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Assets		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 642,496,059	19	\$ 633,155,301	24
1110	Financial assets at fair value through profit or loss - current	6(2)	7,009,541	-	13,652,363	1
1125	Available-for-sale financial assets - current	6(3)	290	-	462,334	-
1170	Accounts receivable, net	6(4)	1,150,428,069	34	699,077,030	27
1180	Accounts receivable - related parties	7	80,066,388	2	31,980,845	1
1200	Other receivables	6(5)	67,700,725	2	43,349,232	2
1210	Other receivables - related parties	7	82,627,493	2	2,400,508	-
130X	Inventory	6(6)	560,954,855	17	387,274,061	15
1410	Prepayments	7	20,328,111	1	13,085,503	-
1470	Other current assets	6(7) and 8	134,524,586	4	106,764,202	4
11XX	Total current assets		2,746,136,117	81	1,931,201,379	74
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	3,040,601	-	5,998,337	-
1523	Available-for-sale financial assets - non-current	6(3)	70,868,132	2	112,495,564	4
1543	Financial assets carried at cost - non-current	6(8)	49,861,639	2	32,467,460	1
1546	Investments in debt instrument without active market - non-current	6(9)	4,571,100	-	-	-
1550	Investments accounted for under equity method	6(10)	151,000,283	4	142,527,340	6
1600	Property, plant and equipment	6(11) and 8	278,204,005	8	309,202,470	12
1760	Investment property - net	6(12)	2,422,523	-	2,525,291	-
1780	Intangible assets	6(13)	9,552,444	-	10,532,956	1
1840	Deferred income tax assets	6(37)	15,048,377	1	14,590,713	1
1900	Other non-current assets	6(14) and 8	76,511,392	2	30,501,430	1
15XX	Total non-current assets		661,080,496	19	660,841,561	26
1XXX	Total assets		\$ 3,407,216,613	100	\$ 2,592,042,940	100

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Liabilities and Equity		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(16)	\$ 418,835,146	12	\$ 171,472,143	7
2110	Short-term notes and bills payable	6(15)	10,960,269	1	15,990,844	1
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		6,486,348	-	11,555,900	-
2170	Accounts payable		1,119,169,644	33	679,055,257	26
2180	Accounts payable - related parties	7	97,315,119	3	30,607,929	1
2200	Other payables	6(17) and 7	255,696,126	8	218,417,857	8
2230	Current income tax liabilities	6(37)	38,439,140	1	30,653,702	1
2250	Provisions for liabilities - current	6(24)	4,796,498	-	2,983,036	-
2300	Other current liabilities	6(18)	73,803,977	2	91,908,563	4
21XX	Total current liabilities		2,025,502,267	60	1,252,645,231	48
Non-current liabilities						
2530	Corporate bonds payable	6(19)	168,495,189	5	153,302,845	6
2540	Long-term loans	6(20)	19,984,818	1	24,929,793	1
2570	Deferred income tax liabilities	6(37)	12,541,548	-	18,607,586	1
2600	Other non-current liabilities	6(23)	8,900,336	-	8,768,887	-
25XX	Total non-current liabilities		209,921,891	6	205,609,111	8
2XXX	Total liabilities		2,235,424,158	66	1,458,254,342	56
Equity						
Equity attributable to owners of parent						
Share capital		6(25)				
3110	Share capital - common stock		173,287,383	5	173,287,383	7
Capital reserve		6(26)				
3200	Capital surplus		97,872,884	3	93,046,611	3
Retained earnings		6(27)				
3310	Legal reserve		122,732,924	4	107,866,626	4
3350	Unappropriated retained earnings		717,885,835	21	672,059,408	26
Other equity interest		6(28)				
3400	Other equity interest		( 27,539,310)	( 1)	32,508,267	2
3500	Treasury stocks	6(25)	( 18,901)	-	( 18,901)	-
31XX	Equity attributable to owners of the parent		1,084,220,815	32	1,078,749,394	42
36XX	Non-controlling interest	6(29)	87,571,640	2	55,039,204	2
3XXX	Total equity		1,171,792,455	34	1,133,788,598	44
Commitments and Contingent Liabilities		9				
Subsequent Events		11				
3X2X	Total liabilities and equity		\$ 3,407,216,613	100	\$ 2,592,042,940	100

The accompanying notes are an integral part of these consolidated financial statements.

**HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,**  
**EXCEPT FOR EARNINGS PER SHARE AMOUNTS)**

	Items	Notes	For the years ended December 31			
			2017		2016	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	6(31) and 7	\$ 4,706,736,096	100	\$ 4,358,733,357	100
5000	<b>Operating costs</b>	6(6)(34)(35) and 7	( 4,403,729,149)	( 94)	( 4,037,148,377)	( 93)
5900	<b>Net operating margin</b>		303,006,947	6	321,584,980	7
	<b>Operating expenses</b>	6(34)(35)				
6100	Selling expenses		( 29,501,197)	-	( 22,514,532)	-
6200	General and administrative expenses		( 79,154,165)	( 2)	( 72,990,688)	( 2)
6300	Research and development expenses		( 81,781,154)	( 2)	( 51,140,259)	( 1)
6000	<b>Total operating expenses</b>		( 190,436,516)	( 4)	( 146,645,479)	( 3)
6900	<b>Operating profit</b>		112,570,431	2	174,939,501	4
	<b>Non-operating income and expenses</b>					
7010	Other income	6(32)	52,830,252	1	50,122,333	1
7020	Other gains and losses	6(33)	45,649,591	1	( 1,368,997)	-
7050	Finance costs	6(36)	( 38,994,404)	( 1)	( 26,570,546)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(10)	10,816,753	1	827,454	-
7000	<b>Total non-operating income and expenses</b>		70,302,192	2	23,010,244	1
7900	<b>Profit before income tax</b>		182,872,623	4	197,949,745	5
7950	Income tax expense	6(37)	( 47,498,095)	( 1)	( 46,592,581)	( 1)
8200	<b>Profit for the year</b>		\$ 135,374,528	3	\$ 151,357,164	4

(Continued)

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

		For the years ended December 31								
				2017		2016				
Items		Notes	AMOUNT		%	AMOUNT		%		
<b>Other comprehensive income</b>										
8311	(Losses) gains on defined benefit plans	6(21)	(\$	54,572)	-	\$	57,705	-		
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(37)								
				9,277	-	(	9,810)	-		
8310	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>		(	45,295)	-		47,895	-		
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>										
8361	Financial statements translation differences of foreign operations	6(28)(29)	(	47,527,350)	(	1)	(	64,150,871)	(	2)
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(28)(29)	(	19,885,300)	-		35,086,135	1		
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(28)		4,873,253	-		3,994,754	-		
8399	Income tax relating to components of other comprehensive income	6(37)		6,192,134	-	(	6,192,134)	-		
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		(	56,347,263)	(	1)	(	31,262,116)	(	1)
8300	<b>Other comprehensive loss for the year</b>		(\$	56,392,558)	(	1)	(\$	31,214,221)	(	1)
8500	<b>Total comprehensive income for the year</b>		\$	78,981,970	2	\$	120,142,943	3		
<b>Profit (loss) attributable to:</b>										
8610	Owners of the parent		\$	138,734,401	3	\$	148,662,983	4		
8620	Non-controlling interest		(	3,359,873)	-		2,694,181	-		
			\$	135,374,528	3	\$	151,357,164	4		
<b>Comprehensive income (loss) attributable to:</b>										
8710	Owners of the parent		\$	78,641,529	2	\$	121,097,464	3		
8720	Non-controlling interest			340,441	-	(	954,521)	-		
			\$	78,981,970	2	\$	120,142,943	3		
<b>Earnings per share (in dollars)</b>										
9750	<b>Basic earnings per share</b>	6(38)	\$		8.01	\$		8.60		
9850	<b>Diluted earnings per share</b>		\$		7.91	\$		8.52		

The accompanying notes are an integral part of these consolidated financial statements.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent									
		Retained Earnings				Other Equity Interest					
		Share capital - common stock	Capital reserve	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Treasury stocks	Total	Non- controlling interest	Total equity
	Notes										
<u>For the year ended December 31, 2016</u>											
Balance at January 1, 2016		\$ 156,382,881	\$ 81,736,538	\$ 93,179,928	\$ 616,227,711	\$ 52,934,288	\$ 7,187,393	(\$ 18,901 )	\$ 1,007,629,838	\$ 52,761,241	\$ 1,060,391,079
Appropriations of 2015 earnings:	6(27)										
Legal reserve		-	-	14,686,698	( 14,686,698 )	-	-	-	-	-	-
Cash dividends		-	-	-	( 62,553,153 )	-	-	-	( 62,553,153 )	-	( 62,553,153 )
Stock dividends		15,638,288	-	-	( 15,638,288 )	-	-	-	-	-	-
Employees' stock bonus		1,266,214	9,331,981	-	-	-	-	-	10,598,195	-	10,598,195
Consolidated net income		-	-	-	148,662,983	-	-	-	148,662,983	2,694,181	151,357,164
Other comprehensive income (loss)	6(28)	-	-	-	47,895	( 60,675,755 )	33,062,341	-	( 27,565,519 )	( 3,648,702 )	( 31,214,221 )
Changes in equity of associates and joint ventures accounted for under the equity method	6(26)	-	809,860	-	( 1,042 )	-	-	-	808,818	-	808,818
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	1,168,232	-	-	-	-	-	1,168,232	-	1,168,232
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	3,232,484	3,232,484
Balance at December 31, 2016		<u>\$ 173,287,383</u>	<u>\$ 93,046,611</u>	<u>\$ 107,866,626</u>	<u>\$ 672,059,408</u>	<u>(\$ 7,741,467 )</u>	<u>\$ 40,249,734</u>	<u>(\$ 18,901 )</u>	<u>\$ 1,078,749,394</u>	<u>\$ 55,039,204</u>	<u>\$ 1,133,788,598</u>
<u>For the year ended December 31, 2017</u>											
Balance at January 1, 2017		\$ 173,287,383	\$ 93,046,611	\$ 107,866,626	\$ 672,059,408	(\$ 7,741,467 )	\$ 40,249,734	(\$ 18,901 )	\$ 1,078,749,394	\$ 55,039,204	\$ 1,133,788,598
Appropriations of 2016 earnings:	6(27)										
Legal reserve		-	-	14,866,298	( 14,866,298 )	-	-	-	-	-	-
Cash dividends		-	-	-	( 77,979,322 )	-	-	-	( 77,979,322 )	-	( 77,979,322 )
Consolidated net income		-	-	-	138,734,401	-	-	-	138,734,401	( 3,359,873 )	135,374,528
Other comprehensive income (loss)	6(28)	-	-	-	( 45,295 )	( 48,578,970 )	( 11,468,607 )	-	( 60,092,872 )	3,700,314	( 56,392,558 )
Changes in equity of associates and joint ventures accounted for under the equity method	6(26)	-	1,594,859	-	( 17,059 )	-	-	-	1,577,800	-	1,577,800
Adjustments arising from changes in percentage of ownership in subsidiaries	6(26)	-	2,132,161	-	-	-	-	-	2,132,161	-	2,132,161
Due to recognition of equity component of convertible bonds issued	6(19)(26)	-	1,099,253	-	-	-	-	-	1,099,253	-	1,099,253
Increase in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	32,191,995	32,191,995
Balance at December 31, 2017		<u>\$ 173,287,383</u>	<u>\$ 97,872,884</u>	<u>\$ 122,732,924</u>	<u>\$ 717,885,835</u>	<u>(\$ 56,320,437 )</u>	<u>\$ 28,781,127</u>	<u>(\$ 18,901 )</u>	<u>\$ 1,084,220,815</u>	<u>\$ 87,571,640</u>	<u>\$ 1,171,792,455</u>

The accompanying notes are an integral part of these consolidated financial statements.

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31,	
		2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 182,872,623	\$ 197,949,745
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(34)	59,736,585	62,407,931
Amortization	6(34)	1,263,825	878,847
Provision for bad debts expense		2,056,114	1,009,719
Impairment loss	6(33)	6,542,022	321,322
Loss (gain) on disposal of property, plant and equipment, net	6(33)	22,420	( 396,486 )
Loss on financial assets or liabilities at fair value through profit or loss, net	6(33)	21,402,244	8,316,405
Share of profit of associates and joint ventures accounted for using equity method	6(10)	( 10,816,753 )	( 827,454 )
(Gain) loss on disposal of investments	6(33)	( 66,182,488 )	475,050
Interest expense	6(36)	38,742,136	26,549,974
Interest income	6(32)	( 46,305,757 )	( 36,236,935 )
Dividend income	6(32)	( 1,202,077 )	( 1,392,767 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		( 6,191,988 )	( 2,784,565 )
Notes receivable		33,912	533,287
Accounts receivable		( 449,242,401 )	( 133,021,000 )
Accounts receivable due from related parties		( 51,527,913 )	( 5,777,569 )
Other receivables		( 30,688,932 )	5,962,954
Prepayments		( 7,242,608 )	1,358,792
Inventories		( 173,680,794 )	39,839,835
Changes in operating liabilities			
Accounts payable		440,114,387	60,405,312
Accounts payable to related parties		66,707,190	( 254,606 )
Other payables		24,668,730	20,118,335
Provisions for liabilities - current		1,813,462	650,154
Other current liabilities		( 2,164,466 )	( 30,069,029 )
Accrued pension liabilities		( 26,561 )	( 64,123 )
Cash inflow generated from operations		702,912	215,953,128
Income taxes paid		( 40,044,225 )	( 41,932,394 )
Net cash flows (used in) from operating activities		( 39,341,313 )	174,020,734

(Continued)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of property, plant and equipment	6(39)	( \$ 60,384,846 )	( \$ 53,204,353 )
Increase in other financial assets - current		( 27,760,384 )	( 56,183,228 )
Acquisition of available-for-sale financial assets		( 154,752 )	( 40,479,644 )
Acquisition of investments accounted for using equity method		( 731,379 )	( 63,030,417 )
Acquisition of financial assets at cost		( 26,843,966 )	( 15,093,750 )
Acquisition of financial assets at fair value through profit or loss		( 10,679,250 )	( 7,996,500 )
Proceeds from disposal of financial assets carried at cost		1,354,203	7,656
Proceeds from disposal of available-for-sale financial assets	6(39)	4,232,224	1,949,812
Proceeds from disposal of investments accounted for using equity method		964,799	-
Proceeds from disposal of property, plant and equipment	6(39)	9,994,734	2,319,840
Decrease (increase) in other receivables due from related parties	7	330,498	( 4,838 )
Acquisition of investments in debt instrument without active market - non-current		( 4,571,100 )	-
Increase in other financial assets - non-current		( 15,809 )	( 38,347 )
Net cash flow from acquisition of subsidiaries	6(30)	-	( 5,482,763 )
Proceeds from disposal of investments accounted for using equity method		-	276,400
Decrease in other non-current assets		757,069	408,428
Increase in other prepayments		( 545,816 )	( 7,530,037 )
Other investing activities		( 92,074 )	( 605,700 )
Interest received		43,690,301	27,521,419
Dividends received		5,464,796	5,032,100
Net cash flows used in investing activities		( 64,990,752 )	( 212,133,922 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans		247,363,003	101,238,934
(Decrease) increase in short-term notes and bills payable		( 5,030,000 )	9,000,000
Proceeds from issuing bonds		54,202,207	52,360,000
Repayments of bonds		( 58,589,080 )	( 24,918,350 )
Proceeds from long-term debt		12,896,069	1,086,000
Repayments of long-term debt		( 9,159,975 )	( 6,985,906 )
Increase in other non-current liabilities		367,786	464,812
Changes of non-controlling interests	6(29)	17,009,053	926,444
Interest paid		( 34,839,842 )	( 18,673,292 )
Cash dividends paid	6(27)	( 77,979,322 )	( 62,553,153 )
Net cash flows from financing activities		146,239,899	51,945,489
Net effect of changes in foreign currency exchange rates		( 32,567,076 )	( 37,814,721 )
Net increase (decrease) in cash and cash equivalents		9,340,758	( 23,982,420 )
Cash and cash equivalents at beginning of year		633,155,301	657,137,721
Cash and cash equivalents at end of year		<u>\$ 642,496,059</u>	<u>\$ 633,155,301</u>

HON HAI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

HISTORY AND ORGANISATION

Hon Hai Precision Industry Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, sales and service of connectors, case, thermal module, wired/wireless communication products, optical products, power supply modules, and assemblies for use in the IT, communications, automotive equipment, precision molding, automobile, and consumer electronics industries.

THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2018.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Based on the Group's assessment, the major impacts of the above standards and interpretations to the Group's financial condition and financial performance based on the Group's assessment are as follows:

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual

cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component. In line with the regulations under IFRS 9 on provision for impairment, there is no significant impact on the Group.

**B. IFRS 15, 'Revenue from contracts with customers'**

IFRS 15 requires that, when products are sold with a right of return, the entity will recognize revenue in the amount of consideration to which the entity expects to be entitled. Revenue would not be recognized for products that the entity expects to be returned. The entity raises a refund liability and an asset representing its right to recover the products from the customer. The asset is presented separately from the refund liability.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

- (a) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$40,243,070 and \$22,303,863, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$64,975,925 and increasing retained earnings and other equity interest in the amounts of \$1,005,821 and \$1,423,171, respectively.
- (b) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$30,625,352 and \$27,557,776, respectively, by increasing financial assets at fair value through profit or loss in the amount of \$57,159,800, increasing retained earnings in the amount of \$11,450,731 and decreasing other equity interest in the amount

of \$12,474,059.

- (c) In accordance with IFRS 9, the Group expects to reclassify other financial assets and investments in debt instruments without active market of \$134,524,586 and \$4,571,100, respectively, by increasing financial assets at amortized cost in the amount of \$139,095,686.
- (d) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognized as contract liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance would amount to \$2,570,549.
- (e) When adopting the initial application of IFRS 9 and IFRS 15, the Group expects to recognise adjustments in the balance sheet on January 1, 2018 by increasing total assets, total liabilities and equity in the amounts of \$3,976,213, \$2,570,549 and \$1,405,664, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Based on the Group's assessment, the major impact of the above standards and interpretations to the Group's financial condition and financial performance is described below:

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group has evaluated the impact of adopting IFRS 16 based on 2016 financial report and new lease contracts during 2017, which will increase assets and lease liability. There is no impact to equity.

The Group will continue evaluating the impact until effective date of IFRS 16.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the principal accounting policies applied in the preparation of these consolidated financial statements set out below have been consistently applied to all the periods presented.

### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

### (2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Available-for-sale financial assets measured at fair value.
  - (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (d) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to

the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Hon Hai Precision Industry Co., Ltd.	Foxconn (Far East) Limited and subsidiaries	Investment holdings in companies in Mainland China, Hong Kong, Europe and America primarily engaged in manufacturing, sale, research and development of computer cases, connectors and computer components	100	100	(d)
"	Foxconn Holding Ltd. and subsidiaries	Investment holdings in hi-tech companies in Asia-Pacific and America	100	100	
"	Hyield Venture Capital Co., Ltd. and subsidiaries	Venture capital investments in companies primarily engaged in manufacturing of automobile wires/ electronic devices and electronic components, and services of planning, advisory and business management	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Hon Hai Precision Industry Co., Ltd.	Bao Shin International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	
"	Hon Yuan International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in manufacturing and sale of machinery and equipment	100	100	
"	Hon Chi International Investment Co., Ltd. and subsidiaries	Domestic investments in companies primarily engaged in software and electronic information application services, and manufacturing and sale of machinery and equipment	100	100	
"	Lin Yih International Investment Co., Ltd. and subsidiaries	Operates domestic investments; its investees are mainly engaged in leasing of FTTH wideband and R&D and manufacturing of routers	100	100	
"	Hon Hai/Foxconn Logistics California LLC.	Logistics services in America	100	100	
"	Hon Hai/Foxconn Logistics Texas LLC.	Logistics services in America	100	100	
"	Ambit International Ltd. and subsidiaries	Investment holdings in companies in Mainland China primarily engaged in manufacturing and sale of power supply modules, application modules and network cables assemblies	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Hon Hai Precision Industry Co., Ltd.	Foxconn Singapore (Pte) Ltd. and subsidiaries	Asia-Pacific sales company and development of educational technology	100	100	(c)
"	Foxconn International Inc.	Patent applications in America	100	100	
"	Altus Technology Inc.	Leasing services	100	100	
"	Premier Image Technology -Hong Kong Limited and subsidiaries	Investment holdings in companies in Mainland China, primarily engaged in manufacturing and trading of portable cameras	99.96	99.96	
"	Foxconn SA B.V. and subsidiaries	Investment holdings in Russian domestic sales companies	100	100	
"	Margini Holdings Limited and subsidiaries	Investment holdings in Vietnam export processing and construction services companies and Brazil domestic sales companies	100	100	
"	Jin Ji City Trading Co., Ltd. -Hong Kong	Investment holdings and reinvestment in businesses relating to robots, automatic equipment, moulds, parts, accessories and corresponding services	100	100	
"	Foxconn Holdings B.V. - Netherlands and subsidiaries	Investment holdings in companies in Europe	100	100	
"	Syntrend Creative Park Co., Ltd.	Retail of office machinery and equipment and electronic appliances, and information/software services	74.80	74.80	

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Hon Hai Precision Industry Co., Ltd.	Perobot Co., Ltd.	Sale, software development, repair services, after-sale services and rental services of robots	100	100	(b)
"	eCMMS Precision Singapore Pte. Ltd.	Manufacturing and sales of computers and data processing equipment	100	100	(e)

(a) In order to cooperate with the land use change in Shanghai, China, the Group acquired 79.77% of the shares of Cybertan Technology Corp. (CBT) and its investee company, Fuyu Properties (Shanghai) Co., Ltd. (Formerly: Han Yang Optics (Shanghai) Ltd.) by cash capital increase on April 29, 2016, which were then consolidated effective the acquisition date.

(b) On April 14, 2016, the Company directly invested to set up Perobot Co., Ltd.

(c) In the second half of 2016, the Group invested and acquired 67% of shares of Smart Technologies, Inc. which was consolidated in the financial statements since the Group obtained the control over it on December 19, 2016.

(d) The Company's subsidiary, Foxconn (Far East) Limited, invested US\$600,002 thousand in Foxconn Ventures Pte. Ltd. and acquired 54.5% equity interest from the capital increase in the first quarter of 2017, which was then consolidated effective the acquisition date.

(e) The Company acquired 100% equity interest of eCMMS Precision Singapore Pte. Ltd. from its subsidiary, Foxconn (Far East) Limited, due to reorganization on April 20, 2017.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2017 and 2016, the non-controlling interest amounted to \$87,571,640, and \$55,039,204, respectively. The information on non-controlling interest and respective subsidiaries are as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2017		December 31, 2016		
		Ownership		Ownership		
		Amount	%	Amount	%	
FIH Mobile Limited	Cayman	\$ 39,047,912	35%	\$ 44,880,180	35%	
Foxconn Ventures Pte. Ltd.	Singapore	19,387,367	46%	-	-	
Foxconn Interconnect Technology Limited	Cayman	<u>13,035,614</u>	23%	<u>3,036,270</u>	7%	
		\$ 71,470,893		\$ 47,916,450		

Summarised financial information of the subsidiary:

Balance sheets

	FIH Mobile Limited	
	December 31, 2017	December 31, 2016
Current assets	\$ 214,796,917	\$ 171,314,372
Non-current assets	46,724,572	53,353,903
Current liabilities	( 165,919,486)	( 108,386,056)
Non-current liabilities	( 973,468)	( 1,125,317)
Total net assets	<u>\$ 94,628,535</u>	<u>\$ 115,156,902</u>
	Foxconn Interconnect Technology Limited	
	December 31, 2017	December 31, 2016
Current assets	\$ 71,781,685	\$ 59,447,038
Non-current assets	22,873,982	24,877,005
Current liabilities	( 37,999,770)	( 42,872,118)
Non-current liabilities	( 293,344)	( 43,441)
Total net assets	<u>\$ 56,362,553</u>	<u>\$ 41,408,484</u>
	Foxconn Ventures Pte. Ltd.	
Current assets	\$ 9,440,059	
Non-current assets	33,196,083	
Current liabilities	( 2,057)	
Non-current liabilities	-	
Total net assets	<u>\$ 42,634,085</u>	

## Statements of comprehensive income

		FIH Mobile Limited	
		For the years ended December 31,	
		2017	2016
Revenue and other operating revenue	\$	376,947,865	\$ 211,415,130
(Loss) profit for the year from continuing operations	(	15,987,725)	4,394,168
Other comprehensive income (loss), net of tax		6,748,074	( 4,736,775)
Total comprehensive loss for the year	(\$	9,239,651)	(\$ 342,607)
Comprehensive income (loss) attributable to non-controlling interest	\$	14,837	(\$ 68,080)
Dividends paid to non-controlling interest	\$	-	\$ 2,526,492
		Foxconn Interconnect Technology Limited	
		For the years ended December 31,	
		2017	2016
Revenue and other operating revenue	\$	103,425,575	\$ 92,917,188
Profit for the year from continuing operations		5,492,189	5,437,810
Other comprehensive income (loss), net of tax		2,007,467	( 1,958,537)
Total comprehensive income for the year	\$	7,499,656	\$ 3,479,273
Dividends paid to non-controlling interest	\$	309,372	\$ 97,202
		Foxconn Ventures Pte. Ltd.	
		For the year ended December 31, 2017	
Revenue and other operating revenue	\$	-	
Profit for the year from continuing operations		147,289	
Other comprehensive income, net of tax		9,743,404	
Total comprehensive income for the year	\$	9,890,693	
Dividends paid to non-controlling interest	\$	-	

#### Statements of cash flows

		FIH Mobile Limited	
		For the years ended December 31,	
		2017	2016
Net cash (used in) provided by operating activities	(\$	3,697,701)	\$ 7,560,325
Net cash provided by (used in) investing activities		15,389,942	( 28,695,786)
Net cash provided by financing activities		4,601,716	6,050,395
Effect of exchange rates on cash and cash equivalents		2,157,457	( 3,521,100)
Increase (decrease) in cash and cash equivalents		18,451,414	( 18,606,166)
Cash and cash equivalents, beginning of year		40,876,857	62,916,867
Cash and cash equivalents, end of year	\$	59,328,271	\$ 44,310,701
		Foxconn Interconnect Technology Limited	
		For the years ended December 31,	
		2017	2016
Net cash provided by operating activities	\$	4,741,937	\$ 7,759,627
Net cash used in investing activities	(	1,592,280)	( 6,848,379)
Net cash provided by (used in) financing activities		6,557,452	( 212,529)
Effect of exchange rates on cash and cash equivalents		1,024,183	( 516,128)
Increase in cash and cash equivalents		10,731,292	182,591
Cash and cash equivalents, beginning of year		12,347,394	13,435,316
Cash and cash equivalents, end of year	\$	23,078,686	\$ 13,617,907
		Foxconn Ventures Pte. Ltd.	
		For the year ended December 31, 2017	
Net cash used in operating activities	\$		-
Net cash used in investing activities	(		7,450,421)
Net cash provided by financing activities			18,264,797
Effect of exchange rates on cash and cash equivalents			-
Increase in cash and cash equivalents			10,814,376
Cash and cash equivalents, beginning of year			-
Cash and cash equivalents, end of year	\$		10,814,376

#### (4) Foreign currency translation

- A. The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.
- B. Foreign currency transactions and balances
- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
  - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
  - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
  - (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".
- C. Translation of foreign operations
- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
    - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
    - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
    - iii. All resulting exchange differences are recognised in other comprehensive income.
  - (b) When the foreign operation of an associate is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
  - (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group

retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settle within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets held for trading or designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
- (a) Hybrid (combined) contracts; or
  - (b) Capable of eliminating or significantly reducing a measurement or recognition inconsistency;  
or
  - (c) Performance is evaluated on a fair value basis, in accordance with a documented risk

management or investment strategy.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

A. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

B. Investments in debt instruments without active market

(a) Investments in debt instruments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

- i. Not designated on initial recognition as at fair value through profit or loss;
- ii. Not designated on initial recognition as available-for-sale;
- iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b) On a regular way purchase or sale basis, investments in debt instruments without active market are recognised and derecognised using trade date accounting.

(c) Investments in debt instruments without active market are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the

effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Impairment of financial assets

- A. The Group assesses at balance sheet date whether there is objective evidence that an individual financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the individual financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (d) Increase in probability of the borrower going bankrupt or suffering financial reorganisation;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
  - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; and the Group has not retained control of the financial asset.

(12) Operating lease (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates

are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or

loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment is significant in relation to the total cost of the item, it must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	51 years
(Auxiliary buildings)	(6 ~ 11 years)
Machinery and equipment	3 ~ 9 years
Molding equipment	1 ~ 2 years
Other equipment	2 ~ 6 years

(16) Leased assets/ leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
  - (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
  - (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 6 to 51 years.

(18) Intangible assets

- A. Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.
- B. Goodwill is generated by adopting the acquisition method when merger and acquisition occurs.
- C. Patent is amortised on a straight-line basis over its estimated useful life of 2 to 20 years.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment is recognised when recoverable amount is lower than carrying amount. Impairment loss should not be reversed in the future.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and

subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) Capable of eliminating or significantly reduce a measurement or recognition inconsistency; or

(c) Performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Financial liabilities and equity instruments - Bonds payable

A. Ordinary corporate bonds issued by the Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

B. Convertible corporate bonds preference shares issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible

corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- (a) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable liabilities and presented as an addition to or deduction from bonds payable liabilities, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- (b) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.
- (c) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- (d) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable/ preference share liabilities' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(26) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(27) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(29) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of

equity instruments that eventually vest.

- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled, with any changes in fair value recognised in profit or loss.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to

settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

The Group manufactures and sells 3C products. Revenue is measured at the fair value of the consideration received or receivable, taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(33) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(34) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation

at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

**(35) Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

**CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY**

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

**(1) Critical judgments in applying the Group's accounting policies**

**A. Revenue recognition**

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. When exposed to the significant risks and rewards, the Group acts as a principal, and the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commission earned. The Group provides integrated electronics manufacturing services which meet the following criteria based on judgment, and recognises revenue on a gross basis:

- a. The Group has primary responsibilities for the goods or services it provides;
- b. The Group bears inventory risk;
- c. The Group bears credit risk of customers.

**B. Offsetting financial instruments**

The Company's financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there

is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the actual results. The estimates and assumptions that may significantly adjust the carrying amounts of assets and liabilities within the next financial year are addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date based on judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be significant changes to the evaluation.

As of December 31, 2017, the carrying amount of inventories was \$560,954,855.

1. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and revolving funds	\$ 159,532	\$ 107,183
Checking accounts and demand deposits	364,835,641	228,420,122
Cash equivalents - Time deposits	270,696,673	398,210,765
Cash equivalents - Repo bonds	6,804,213	6,417,231
	<u>\$ 642,496,059</u>	<u>\$ 633,155,301</u>

A. The Group transacts with a variety of financial institutions with high credit quality for the purpose of dispersing credit risk, so it expects that the probability of counterparty default is low.

B. The Group's time deposits pledged to others as collateral had been transferred to "other current assets". Please refer to Note 8 for details.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2017	December 31, 2016
Current items:		
Financial products	\$ 4,528,019	\$ 4,776,461
Beneficiary certificates	390,521	480,599
Cross currency swap contracts	70,990	6,466,269
Forward exchange contracts	234,411	1,253,723
Convertible bonds payable	1,785,600	675,311
	<u>\$ 7,009,541</u>	<u>\$ 13,652,363</u>
Non-current items:		
Cross currency swap contracts	\$ 2,101,871	\$ 2,836,837
Put option	62,218	-
Convertible bonds payable	876,512	3,161,500
	<u>\$ 3,040,601</u>	<u>\$ 5,998,337</u>
Liabilities	December 31, 2017	December 31, 2016
Current items:		
Cross currency swap contracts	(\$ 3,217,595)	(\$ 853,160)
Forward exchange contracts	( 3,268,753)	( 10,702,740)
	<u>(\$ 6,486,348)</u>	<u>(\$ 11,555,900)</u>

A. For the years ended December 31, 2017 and 2016, the Group recognised net loss of \$21,402,244 and \$8,316,405 (shown as “Other gains and losses”) on financial assets and liabilities recognised above, respectively.

B. The counterparties of the Group’s debt derivative instruments have good credit quality.

C. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017		
	Contract amount		
<u>Derivative Financial Assets</u>	<u>(Nominal Principal in thousands)</u>		<u>Contract period</u>
Current items:			
Cross currency swap contracts	USD (BUY)	500,000	2017.07.24~2018.05.30
	TWD (SELL)	15,150,000	2017.07.24~2018.05.30
Foreign exchange forward contracts	USD (BUY)	60,000	2017.09.08~2018.03.20
	RMB (BUY)	3,027,194	2017.11.06~2018.07.03
	TWD (SELL)	1,770,270	2017.09.08~2018.03.20
	USD (SELL)	454,000	2017.11.06~2018.07.03
Financial products	USD	150,000	2017.11.03~2018.01.30
Convertible bonds payable	USD	60,000	2016.10.14~2018.04.14
Non-current items:			
Cross currency swap contracts	USD (BUY)	1,000,000	2016.09.13~2026.09.24
	JPY (SELL)	102,619,000	2016.09.13~2026.09.24
Convertible bonds payable	USD	30,000	2016.12.19~2021.12.15

December 31, 2017			
<u>Derivative Financial Liabilities</u>	Contract amount		Contract period
	(Nominal Principal in thousands)		
Current items:			
Cross currency swap contracts	USD (BUY)	10,090,000	2017.06.28~2018.06.13
	JPY (BUY)	16,950,000	2017.12.19~2018.02.27
	TWD (SELL)	291,246,565	2017.06.28~2018.06.13
	JPY (SELL)	56,600,000	2017.12.27~2018.01.05
	RMB (SELL)	653,300	2017.12.28~2018.01.29
Foreign exchange forward contracts	USD (BUY)	5,875,793	2017.07.03~2018.06.29
	MXN (BUY)	1,446,900	2017.10.23~2018.01.25
	RMB (BUY)	527,120	2017.12.29~2018.07.03
	EUR (SELL)	30,000	2017.12.14~2018.01.31
	TWD (SELL)	169,442,010	2017.07.03~2018.06.29
	RMB (SELL)	1,322,240	2017.12.20~2018.01.22
	USD (SELL)	155,000	2017.10.23~2018.07.03
December 31, 2016			
<u>Derivative Financial Assets</u>	Contract amount		Contract period
	(Nominal Principal in thousands)		
Current items:			
Cross currency swap contracts	USD (BUY)	6,744,000	2016.04.11~2017.07.05
	TWD (SELL)	164,210,695	2016.04.11~2017.07.05
	JPY (SELL)	153,819,500	2016.06.14~2017.03.27
	EUR (SELL)	136,737	2016.10.20~2017.02.06
	USD (BUY)	3,570,000	2016.11.16~2017.05.17
Foreign exchange forward contracts	AUD (BUY)	20,000	2016.12.29~2017.01.04
	CZK (BUY)	516,600	2016.12.29~2017.01.03
	EUR (BUY)	6,500	2016.06.02~2017.08.15
	TWD (SELL)	113,978,555	2016.11.16~2017.05.17
	CAD (SELL)	9,618	2016.06.02~2017.08.15
	USD (SELL)	34,436	2016.12.29~2017.01.04
	Financial products	USD	150,000
Convertible bonds payable	USD	10,000	2016.10.14~2017.06.30
Non-current items:			
Cross currency swap contracts	USD (BUY)	1,000,000	2016.09.13~2026.09.24
	JPY (SELL)	102,619,000	2016.09.13~2026.09.24
Convertible bonds payable	USD	90,000	2016.10.14~2021.12.15

	December 31, 2016		
	Contract amount		
<u>Derivative Financial Liabilities</u>	<u>(Nominal Principal in thousands)</u>		<u>Contract period</u>
Current items:			
Cross currency swap contracts	USD (BUY)	3,450,000	2016.03.08~2017.07.05
	TWD (SELL)	112,367,500	2016.03.08~2017.07.05
Foreign exchange forward	USD (BUY)	14,000	2016.06.28~2017.10.16
contracts	GBP (BUY)	4,500	2016.10.24~2017.09.15
	JPY (BUY)	112,476,600	2016.11.08~2017.03.27
	RMB (BUY)	48,133,453	2016.11.03~2017.02.17
	MXN (BUY)	3,919,771	2016.11.02~2017.02.15
	CAD (SELL)	25,838	2016.06.28~2017.10.16
	USD (SELL)	8,303,593	2016.11.02~2017.03.27

(a) Cross currency swap contracts

The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For interest rate, the fixed rate between two currencies is used to exchange. Thus, there is no interest rate risk.

(b) Forward foreign exchange contracts

The Group enters into foreign exchange forward transactions to hedge the following risk of exchange rate:

- A. Operating activities: Import of raw materials and export sales
- B. Investing activities: Import of machinery and equipment
- C. Financing activities: Long-term and short-term foreign currency assets and liabilities

(c) Financial products

All of the structured products the Group entered into an agreement with financial institutions pertain to hybrid financial products which are principal guaranteed products in combination with embedded derivative financial products. The abovementioned agreement is designated as “financial assets at fair value through profit or loss” altogether upon initial recognition.

(d) Convertible bonds payable

The Company’s indirect subsidiary, FIH Mobile Limited, acquired convertible bonds issued by Mango International in the amount of US \$60 million. The convertible bonds are embedded derivatives, and have been designated as financial assets at fair value through profit or loss at initial recognition. FIH Mobile Limited provided inventories, valued at US \$60 million, to Mango International upon acquisition of Mango International’s convertible bonds. Based on the contract, FIH Mobile Limited and Mango International both have the right to require conversion after issue date and until maturity date if FIH Mobile Limited or Mango International has the written consent in advance. If there are remaining convertible bonds at maturity, such convertible bonds will be converted automatically to Mango International’s

common stocks.

(e) Put option

The Company's subsidiary, Foxconn (Far East) Limited, acquired Foxconn Ventures Pte. Ltd. in the amount of US \$600,002 thousand, and entered into an agreement with Foxconn Ventures Pte. Ltd.'s joint venture shareholder, Softbank Group Corporation. Based on the agreement, the Company's subsidiary, Foxconn (Far East) Limited, has the right to require Foxconn Ventures Pte. Ltd.'s joint venture shareholder, Softbank Group Corporation, to repurchase Alibaba Group Holding Limited's stocks at the original investment price at the date after 2 years from date of agreement.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Listed stocks	\$ 160	\$ 1,867
Adjustment of available-for-sale financial assets	130	460,467
	<u>\$ 290</u>	<u>\$ 462,334</u>
Non-current items:		
Listed stocks	\$ 44,684,442	\$ 62,295,465
Foreign investment fund	4,859,558	5,228,143
Emerging stocks	1,064,869	1,218,466
	<u>50,608,869</u>	<u>68,742,074</u>
Adjustment of available-for-sale financial assets	20,259,263	43,753,490
	<u>\$ 70,868,132</u>	<u>\$ 112,495,564</u>

- A. The Group recognised net loss or gain in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016. Please refer to Notes 6(28) and (29) for details. The Group reclassified profit of \$65,712,080 and loss of \$450,133 from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.
- B. The Company accrued gain on disposal of preferred C stock shares without voting rights of Sharp Corporation totaling \$63,029,726 (¥252,490,715 thousand). The consideration for the disposal of 1,136,363 shares was \$93,128,046 (¥352,490,712 thousand), which is due in eight installments over two years beginning from the settlement date. As of December 31, 2017, the receivables arising from the disposal amounted to \$93,128,046 (shown as "other receivables" and "other non-current assets").

(4) Notes and accounts receivable

	December 31, 2017	December 31, 2016
Notes receivable	\$ 673,925	\$ 707,837
Accounts receivable	1,156,884,088	703,738,850
Less: Allowance for sales returns and allowances (	2,570,549) (	2,110,082)
Allowance for doubtful accounts (	4,559,395) (	3,259,575)
	<u>\$ 1,150,428,069</u>	<u>\$ 699,077,030</u>

A. The Group entered into a factoring agreement with the following banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable.

As of December 31, 2017 and 2016, the relevant information of accounts receivable factored but unsettled were as follows:

December 31, 2017			
Accounts receivable factoring not due yet	Amount of accounts receivable derecognised	Amount advanced	Amount of consideration retained
<u>\$ 51,633,600</u>	<u>\$ 51,633,600</u>	<u>\$ 51,633,600</u>	<u>\$ -</u>
December 31, 2016			
Accounts receivable factoring not due yet	Amount of accounts receivable derecognised	Amount advanced	Amount of consideration retained
<u>\$ 3,225,000</u>	<u>\$ 3,225,000</u>	<u>\$ 3,225,000</u>	<u>\$ -</u>

- B. As of December 31, 2017 and 2016, the Group has not signed promissory notes as guarantee for accounts receivable in commercial dispute.
- C. For the years ended December 31, 2017 and 2016, the financing charges (expenses) incurred from accounts receivable factoring were \$252,268 and \$20,572 (shown as “finance costs”), respectively.
- D. The Group does not hold any collateral as security.

(5) Other receivables

	December 31, 2017	December 31, 2016
Tax refund receivable	\$ 38,066,158	\$ 22,499,777
Interest receivable	18,164,168	15,548,712
Loans to related parties	4,096,710	-
Others	7,373,689	5,300,743
	<u>\$ 67,700,725</u>	<u>\$ 43,349,232</u>

(6) Inventories

	December 31, 2017	December 31, 2016
Raw materials	\$ 189,293,455	\$ 91,976,158
Work in process	105,789,941	84,987,963
Finished goods	268,823,732	217,638,784
Inventory in transit	26,604,801	22,964,968
	<u>590,511,929</u>	<u>417,567,873</u>
Less: Allowance for inventory obsolescence and market price decline	( 29,557,074)	( 30,293,812)
	<u>\$ 560,954,855</u>	<u>\$ 387,274,061</u>

Expenses and losses incurred on inventories for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31,	
	2017	2016
Cost of inventories sold	\$ 4,405,920,712	\$ 4,039,630,840
Loss on inventory obsolescence and market price decline	845,026	471,770
Revenue from sale of scraps	( 4,051,256)	( 3,815,744)
Others	1,014,667	861,511
	<u>\$ 4,403,729,149</u>	<u>\$ 4,037,148,377</u>

(7) Other current assets

	December 31, 2017	December 31, 2016
Capital guarantee financial products	\$ 100,356,400	\$ 48,509,271
Time deposits with maturity over three months	33,403,383	54,294,559
Structured deposits	-	3,062,928
Refundable deposits	562,115	197,221
Pledged time deposits	202,688	700,223
	<u>\$ 134,524,586</u>	<u>\$ 106,764,202</u>

A. The Group has signed a contract for capital guarantee financial products with the bank. For the years ended December 31, 2017 and 2016, the expected range for annualised rate of return is between 1.55%~5% and 1.8%~5.63%, respectively.

B. All of the structured deposits the Group entered an agreement with pertain to principal guaranteed products.

C. Details of other current assets pledged as collateral are provided in Note 8.

(8) Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
Non-current item:		
Unlisted stocks	<u>\$ 49,861,639</u>	<u>\$ 32,467,460</u>

A. According to the Group's intention, its investments in above equity instruments should be

classified as “available-for-sale financial assets”. However, as the above equity instruments are not traded in active market, and no sufficient industry information of companies similar to the above companies or no financial information of the above companies can be obtained, the fair value of the investment in above equity instruments cannot be measured reliably. Accordingly, the Group classified those stocks as ‘financial assets carried at cost’.

- B. For the year ended December 31, 2016, the Group acquired the aforementioned equity including:
  - (a) Investment in shares of Katerra Inc. for a total of USD 50 million. The investee is primarily engaged in providing solutions for smart home and architecture.
  - (b) Investment in shares of IDG China Capital for a total of USD 32 million. The investee is primarily engaged in the investment in enterprises in China.
  - (c) Investment in shares of Xiaoju Kuaizhi Inc. for a total of USD 120 million. The investee is primarily engaged in the investment in enterprises in China.
  - (d) Investment in shares of Hike Global Pte. Ltd. for a total of USD 50 million. The investee is primarily engaged in internet communication platform.
- C. The investments during 2017 were as follows.
  - (a) Investment in shares of Katerra Inc. for a total of USD 30 million. The investee is primarily engaged in providing solutions for smart home and architecture.
  - (b) Investment in shares of NingDe Ampere Technology Ltd. for a total of RMB 1 billion. The investee is primarily engaged in manufacturing of battery cell, battery management system and power battery system.
  - (c) Investment in shares of PCCW International OTT (Cayman Islands) Holdings Limited for a total of USD 30 million. The investee is primarily engaged in IoT media and entertainment services.
  - (d) Investment in shares of Softbank Vision Fund L.P. for a total of USD 452 million. The investee is primarily engaged in IoT-related investments.
  - (e) Investment in shares of Tianjin Aiqi Honghai Smart Transportation Equity Investment Fund LLP for a total of RMB 201 million. The investee is primarily engaged in investments relating to electric vehicles and driverless vehicles.
- D. The Group invests in Jasper Infotech Private Limited (hereinafter “JIP”) amounting to USD 200 million, and JIP is mainly engaged in operating online shopping platform. The Group evaluates that the recoverable amount of the investment is less than the carrying amount based on the latest market price, and provision for impairment loss amounted to \$6,086,126 for the year ended December 31, 2017.
- E. The Group has assessed the aforementioned financial instruments. Because partial investment was impaired, the Group has recognised impairment loss of \$6,497,597 and \$667,558 (shown as “other gain and loss”) for the years ended December 31, 2017 and 2016, respectively.
- F. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.

(9) Investments in debt instruments without active markets

Items	December 31, 2017	December 31, 2016
Non-current items:		
Financial bonds	\$ 4,571,100	\$ -
A. The Group invested in the trust fund named Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust for RMB 1 billion. The fund was mainly created for the investment in Guangzhou Guangyin Nanyue Intelligent Technology Industrial Investment Partnership.		
B. The significant rights and obligations of the aforementioned investment are outlined as follows:		
(a) The preferred beneficiary has priority over ordinary beneficiary of the allocation of principal and interests (derived from the principal). The ordinary beneficiary is allocated with residual interests if there is any.		
(b) The Group is an ordinary beneficiary whereby its right to claim interests is only subject to preferred beneficiary.		
(c) Under the agreement, the Group will take over the share in the trust of the preferred beneficiary, Bank of Guangzhou, in case it initiates a redemption.		
C. Under IAS 39, 'Financial Instruments: Recognition and Measurement', the investment in trust fund is regarded as debt investments that are not quoted in an active market with fixed or determinable payments. Hence, it was recorded as 'non-current bond investment without active market'.		
D. The counterparties of the Group's investments have good credit quality.		
E. The Group has no investments in debt instruments without active markets pledged to others.		

(10) Investments accounted for under equity method

	December 31, 2017	December 31, 2016
Sharp Corporation	\$ 63,346,766	\$ 63,115,972
Foxconn Technology Co., Ltd.	39,990,979	31,843,159
Zhen Ding Technology Holding Limited	16,830,536	14,526,244
Asia Pacific Telecom Co., Ltd.	5,673,899	7,261,502
Pan International Industrial Corporation	3,074,100	3,027,594
General Interface Solution Holding Limited	5,525,441	3,036,857
Others	16,558,562	19,716,012
	<u>\$ 151,000,283</u>	<u>\$ 142,527,340</u>

The Group has assessed impairment of certain investees for the year ended December 31, 2017, and has accrued impairment loss of \$44,425 (shown as "other gains and losses").

## Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2017	December 31, 2016		
Sharp Corporation	Japan	45%	45%	Strategic Investment	Equity method
Foxconn Technology Co., Ltd.	Taiwan	29%	29%	Supplier	Equity method
Zhen Ding Technology Holding Limited	Cayman	38%	38%	Supplier	Equity method
Asia Pacific Telecom Co., Ltd.	Taiwan	20%	20%	Strategic Investment	Equity method
Pan International Industrial Corporation	Taiwan	27%	27%	Supplier	Equity method
General Interface Solution Holding Limited	Cayman	23%	25%	Supplier	Equity method

(b) The summarized financial information of the associates that are material to the Group is as follows:

### Balance sheet

	Sharp Corporation	
	December 31, 2017	December 31, 2016
Current assets	\$ 347,347,697	\$ 327,107,350
Non-current assets	180,516,849	162,472,215
Current liabilities	( 244,050,130)	( 223,468,483)
Non-current liabilities	( 180,905,225)	( 184,402,857)
Total net assets	102,909,191	81,708,225
Effect of accounting principles	( 72,058,693)	( 70,073,405)
The fair value adjustment of trademarks, other intangible net assets and tangible net assets	116,710,074	124,287,808
Total net assets after adjustment	<u>\$ 147,560,572</u>	<u>\$ 135,922,628</u>
Share in associate's net assets (Note)	\$ 52,030,895	\$ 51,500,843
Goodwill	11,038,130	11,514,416
Others	277,741	100,713
Carrying amount of the associate	<u>\$ 63,346,766</u>	<u>\$ 63,115,972</u>

Note : Share in associate's net assets is counted with equity of ordinary shares, excluding Class C shares of Sharp Corporation.

Foxconn Technology Co., Ltd.		
	December 31, 2017	December 31, 2016
Current assets	\$ 138,389,929	\$ 99,607,682
Non-current assets	77,074,498	48,644,595
Current liabilities	( 80,153,382)	( 40,800,971)
Non-current liabilities	( 716,112)	( 705,029)
Total net assets	<u>\$ 134,594,933</u>	<u>\$ 106,746,277</u>
Share in associate's net assets	\$ 39,671,939	\$ 31,463,531
Goodwill	338,190	338,190
Others	( 19,150)	41,438
Carrying amount of the associate	<u>\$ 39,990,979</u>	<u>\$ 31,843,159</u>

Zhen Ding Technology Holding Limited		
	December 31, 2017	December 31, 2016
Current assets	\$ 81,368,070	\$ 60,420,173
Non-current assets	42,348,443	34,483,663
Current liabilities	( 55,181,109)	( 46,623,696)
Non-current liabilities	( 13,274,085)	( 10,049,783)
Total net assets	<u>\$ 55,261,319</u>	<u>\$ 38,230,357</u>
Share in associate's net assets	\$ 17,187,475	\$ 14,512,244
Others	( 356,939)	14,000
Carrying amount of the associate	<u>\$ 16,830,536</u>	<u>\$ 14,526,244</u>

Asia Pacific Telecom Co., Ltd.		
	December 31, 2017	December 31, 2016
Current assets	\$ 5,778,385	\$ 10,127,739
Non-current assets	30,545,815	30,500,370
Current liabilities	( 4,709,071)	( 5,012,377)
Non-current liabilities	( 541,107)	( 518,261)
Total net assets	<u>\$ 31,074,022</u>	<u>\$ 35,097,471</u>
Share in associate's net assets	\$ 6,118,847	\$ 6,911,113
Other intangible assets	-	800,616
Others	( 444,948)	( 450,227)
Carrying amount of the associate	<u>\$ 5,673,899</u>	<u>\$ 7,261,502</u>

Pan International Industrial Corporation		
	December 31, 2017	December 31, 2016
Current assets	\$ 14,775,537	\$ 12,752,862
Non-current assets	5,811,593	5,982,149
Current liabilities	( 8,394,619)	( 6,933,349)
Non-current liabilities	( 201,734)	( 191,005)
Total net assets	<u>\$ 11,990,777</u>	<u>\$ 11,610,657</u>
Share in associate's net assets	\$ 3,178,355	\$ 3,138,139
Goodwill	296,404	296,404
Others	( 400,659)	( 406,949)
Carrying amount of the associate	<u>\$ 3,074,100</u>	<u>\$ 3,027,594</u>

General Interface Solution Holding Limited		
	December 31, 2017	December 31, 2016
Current assets	\$ 47,902,274	\$ 27,398,607
Non-current assets	20,776,501	14,658,502
Current liabilities	( 41,448,264)	( 26,513,069)
Non-current liabilities	( 2,713,459)	( 3,254,048)
Total net assets	<u>\$ 24,517,052</u>	<u>\$ 12,289,992</u>
Share in associate's net assets	\$ 5,525,441	\$ 3,036,857
Others	-	-
Carrying amount of the associate	<u>\$ 5,525,441</u>	<u>\$ 3,036,857</u>

Statement of comprehensive income

Sharp Corporation		
For the years ended December 31,		
	2017	2016
Revenue	\$ 648,083,262	\$ 597,324,528
Profit (loss) for the year from continuing operations	\$ 19,623,336	(\$ 55,809,325)
Other comprehensive income (loss), net of tax	4,380,284	( 10,237,284)
Total comprehensive income (loss)	24,003,620	( 66,046,609)
Effect of accounting principles	470,441	111,855
Total comprehensive income (loss) after adjusted	<u>\$ 24,474,061</u>	<u>(\$ 65,934,754)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

Foxconn Technology Co., Ltd.		
For the years ended December 31,		
	2017	2016
Revenue	\$ 147,815,617	\$ 80,110,459
Profit for the year from continuing operations	\$ 9,968,335	\$ 10,719,973
Other comprehensive income, net of tax	23,280,941	8,859,498
Total comprehensive income	\$ 33,249,276	\$ 19,579,471
Dividends received from associates	\$ 1,584,297	\$ 1,238,377

Zhen Ding Technology Holding Limited		
For the years ended December 31,		
	2017	2016
Revenue	\$ 109,237,731	\$ 82,392,633
Profit for the year from continuing operations	\$ 6,771,783	\$ 3,456,186
Other comprehensive income (loss), net of tax	234,175	( 3,856,994)
Total comprehensive income (loss)	\$ 7,005,958	(\$ 400,808)
Dividends received from associates	\$ 672,134	\$ 1,396,922

Asia Pacific Telecom Co., Ltd.		
For the years ended December 31,		
	2017	2016
Revenue	\$ 13,707,498	\$ 14,153,429
Loss for the year from continuing operations	(\$ 4,034,617)	(\$ 5,132,577)
Other comprehensive (loss) income, net of tax	( 57,645)	1,708
Total comprehensive loss	(\$ 4,092,262)	(\$ 5,130,869)
Dividends received from associates	\$ -	\$ -

Pan International Industrial Corporation		
For the years ended December 31,		
	2017	2016
Revenue	\$ 26,238,360	\$ 18,412,296
Profit for the year from continuing operations	\$ 851,631	\$ 1,267,382
Other comprehensive loss, net of tax	( 43,259)	( 934,588)
Total comprehensive income	\$ 808,372	\$ 332,794
Dividends received from associates	\$ 96,177	\$ 48,089

	General Interface Solution Holding Limited	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 130,816,160	\$ 79,361,173
Profit for the year from continuing operations	\$ 6,954,330	\$ 2,897,420
Other comprehensive loss, net of tax	( 114,164)	( 923,480)
Total comprehensive income	\$ 6,840,166	\$ 1,973,940
Dividends received from associates	\$ 307,510	\$ 277,675

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2017 and 2016, the carrying amount of the Group's individually immaterial associates amounted to \$16,558,562 and \$19,716,012, respectively.

	For the years ended December 31,	
	2017	2016
Profit (loss) for the year from continuing operations	\$ 1,634,333	(\$ 263,310)
Other comprehensive loss, net of tax	( 107,125)	( 254,776)
Total comprehensive income (loss)	\$ 1,527,208	(\$ 518,086)

- (d) The fair value of the Group's material associates which have quoted market price was as follows:

	December 31, 2017	December 31, 2016
Sharp Corporation	\$ 226,826,774	\$ 165,105,129
Foxconn Technology Co., Ltd.	35,032,891	34,539,470
Zhen Ding Technology Holding Limited	20,009,102	19,275,944
Asia Pacific Telecom Co., Ltd.	8,451,530	8,637,819
Pan International Industrial Corporation	3,482,996	3,327,354
General Interface Solution Holding Limited	15,223,500	6,843,772
	<u>\$ 309,026,793</u>	<u>\$ 237,729,488</u>

(11) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Others	Construction in progress	Total
<u>At January 1, 2017</u>							
Cost	\$ 3,995,680	\$ 189,709,141	\$ 274,498,235	\$ 37,098,201	\$ 106,821,952	\$ 38,325,261	\$ 650,448,470
Accumulated depreciation and impairment	-	( 64,026,660)	( 174,757,241)	( 25,430,179)	( 77,031,920)	-	( 341,246,000)
	<u>\$ 3,995,680</u>	<u>\$ 125,682,481</u>	<u>\$ 99,740,994</u>	<u>\$ 11,668,022</u>	<u>\$ 29,790,032</u>	<u>\$ 38,325,261</u>	<u>\$ 309,202,470</u>
<u>2017</u>							
Opening net book amount	\$ 3,995,680	\$ 125,682,481	\$ 99,740,994	\$ 11,668,022	\$ 29,790,032	\$ 38,325,261	\$ 309,202,470
Additions	1,784	4,874,180	23,895,095	2,723,377	12,484,882	25,112,773	69,092,091
Transfer	-	1,105,854	10,685,961	115,792	3,846,297	( 17,359,958)	( 1,606,054)
Disposals	( 2,413)	( 321,701)	( 12,525,477)	( 1,765,935)	( 1,559,998)	( 19,619,580)	( 35,795,104)
Depreciation charge	-	( 8,758,181)	( 33,299,402)	( 3,465,888)	( 14,213,114)	-	( 59,736,585)
Net exchange differences	( 104,978)	( 1,289,081)	( 457,710)	( 683,434)	( 166,629)	( 250,981)	( 2,952,813)
Closing net book amount	<u>\$ 3,890,073</u>	<u>\$ 121,293,552</u>	<u>\$ 88,039,461</u>	<u>\$ 8,591,934</u>	<u>\$ 30,181,470</u>	<u>\$ 26,207,515</u>	<u>\$ 278,204,005</u>
<u>At December 31, 2017</u>							
Cost	\$ 3,890,073	\$ 192,909,435	\$ 247,127,693	\$ 37,191,823	\$ 107,760,070	\$ 26,207,515	\$ 615,086,609
Accumulated depreciation and impairment	-	( 71,615,883)	( 159,088,232)	( 28,599,889)	( 77,578,600)	-	( 336,882,604)
	<u>\$ 3,890,073</u>	<u>\$ 121,293,552</u>	<u>\$ 88,039,461</u>	<u>\$ 8,591,934</u>	<u>\$ 30,181,470</u>	<u>\$ 26,207,515</u>	<u>\$ 278,204,005</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Others	Construction in progress	Total
<u>At January 1, 2016</u>							
Cost	\$ 4,364,220	\$ 197,644,921	\$ 294,481,624	\$ 38,344,911	\$ 105,694,104	\$ 28,042,474	\$ 668,572,254
Accumulated depreciation and impairment	-	( 59,513,206)	( 173,604,052)	( 24,125,162)	( 74,591,368)	-	( 331,833,788)
	<u>\$ 4,364,220</u>	<u>\$ 138,131,715</u>	<u>\$ 120,877,572</u>	<u>\$ 14,219,749</u>	<u>\$ 31,102,736</u>	<u>\$ 28,042,474</u>	<u>\$ 336,738,466</u>
<u>2016</u>							
Opening net book amount	\$ 4,364,220	\$ 138,131,715	\$ 120,877,572	\$ 14,219,749	\$ 31,102,736	\$ 28,042,474	\$ 336,738,466
Additions	10,220	1,913,412	15,795,085	2,171,556	11,236,296	24,284,120	55,410,689
Transfer	-	3,244,208	4,717,785	241,244	1,252,982	( 10,056,830)	( 600,611)
Disposals	( 82,762)	( 1,606,770)	( 2,391,667)	( 293,915)	( 591,225)	-	( 4,966,339)
Acquired through business combinations	-	3,511,659	1,631,125	-	1,194,207	4,618	6,341,609
Depreciation charge	-	( 9,686,595)	( 35,598,349)	( 3,733,186)	( 13,389,801)	-	( 62,407,931)
Impairment loss and reversal of impairment	-	( 704)	346,940	-	-	-	346,236
Net exchange differences	( 295,998)	( 9,824,444)	( 5,637,497)	( 937,426)	( 1,015,163)	( 3,949,121)	( 21,659,649)
Closing net book amount	<u>\$ 3,995,680</u>	<u>\$ 125,682,481</u>	<u>\$ 99,740,994</u>	<u>\$ 11,668,022</u>	<u>\$ 29,790,032</u>	<u>\$ 38,325,261</u>	<u>\$ 309,202,470</u>
<u>At December 31, 2016</u>							
Cost	\$ 3,995,680	\$ 189,709,141	\$ 274,498,235	\$ 37,098,201	\$ 106,821,952	\$ 38,325,261	\$ 650,448,470
Accumulated depreciation and impairment	-	( 64,026,660)	( 174,757,241)	( 25,430,179)	( 77,031,920)	-	( 341,246,000)
	<u>\$ 3,995,680</u>	<u>\$ 125,682,481</u>	<u>\$ 99,740,994</u>	<u>\$ 11,668,022</u>	<u>\$ 29,790,032</u>	<u>\$ 38,325,261</u>	<u>\$ 309,202,470</u>

A. The Company's subsidiaries assessed recoverable amounts of those assets where there is an indication that they are impaired. Reversal of impairment loss of \$346,236 (shown as "other gains and losses") was recognised for the year ended December 31, 2016.

B. Details of property, plant and equipment pledged as collateral are provided in Note 8.

(12) Investment property

	Land and buildings	
	2017	2016
<u>At January 1</u>		
Cost	\$ 4,415,048	\$ 4,889,406
Accumulated depreciation and impairment	( 1,889,757)	( 1,874,758)
	<u>\$ 2,525,291</u>	<u>\$ 3,014,648</u>
<u>For the year ended December 31</u>		
Opening net book amount	\$ 2,525,291	\$ 3,014,648
Additions	185,668	1,927
Disposals	( 90,114)	( 83,456)
Depreciation charge	( 187,535)	( 188,268)
Net exchange differences	( 10,787)	( 219,560)
Closing net book amount	<u>\$ 2,422,523</u>	<u>\$ 2,525,291</u>
<u>At December 31</u>		
Cost	\$ 4,235,377	\$ 4,415,048
Accumulated depreciation and impairment	( 1,812,854)	( 1,889,757)
	<u>\$ 2,422,523</u>	<u>\$ 2,525,291</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the years ended December 31	
	2017	2016
Rental income from the lease of the investment property	<u>\$ 279,809</u>	<u>\$ 320,973</u>
Direct operating expenses arising from the investment property that generated rental income for the year	<u>\$ 187,535</u>	<u>\$ 188,268</u>

- B. The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired. There was no impairment loss during the years ended December 31, 2017 and 2016.
- C. The fair value of the investment property held by the Group as at December 31, 2017 and 2016 was \$2,875,351 and \$3,008,785, respectively, which was revalued by independent appraisers. The valuation is based on latest market price of similar investment property in the same area and condition which is categorized within Level 3 in the fair value hierarchy.

(13) Intangible assets

<u>At January 1, 2017</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Others</u>	<u>Total</u>
Cost	\$ 4,115,291	\$ 4,170,702	\$ 3,434,308	\$ 612,750	\$ 12,333,051
Accumulated amortization and impairment	-	( 1,796,928)	( 3,167)	-	( 1,800,095)
	<u>\$ 4,115,291</u>	<u>\$ 2,373,774</u>	<u>\$ 3,431,141</u>	<u>\$ 612,750</u>	<u>\$ 10,532,956</u>
<u>2017</u>					
Opening net book amount	\$ 4,115,291	\$ 2,373,774	\$ 3,431,141	\$ 612,750	\$ 10,532,956
Acquired through business combinations	93,553	435,920	-	63,850	593,323
Transfer	-	-	-	20,013	20,013
Reclassifications	( 115,634)	-	-	-	( 115,634)
Amortization charge	-	( 404,821)	( 1,969)	( 289,085)	( 695,875)
Net exchange differences	( 293,528)	( 182,094)	( 263,925)	( 42,792)	( 782,339)
Closing net book amount	<u>\$ 3,799,682</u>	<u>\$ 2,222,779</u>	<u>\$ 3,165,247</u>	<u>\$ 364,736</u>	<u>\$ 9,552,444</u>
<u>At December 31, 2017</u>					
Cost	\$ 3,799,682	\$ 4,277,821	\$ 3,170,383	\$ 647,456	\$ 11,895,342
Accumulated amortization and impairment	-	( 2,055,042)	( 5,136)	( 282,720)	( 2,342,898)
	<u>\$ 3,799,682</u>	<u>\$ 2,222,779</u>	<u>\$ 3,165,247</u>	<u>\$ 364,736</u>	<u>\$ 9,552,444</u>
<u>At January 1, 2016</u>	<u>Goodwill</u>	<u>Patents</u>	<u>Trademarks</u>	<u>Others</u>	<u>Total</u>
Cost	\$ 629,290	\$ 4,005,095	\$ 16,000	\$ -	\$ 4,650,385
Accumulated amortization and impairment	-	( 1,395,381)	( 1,167)	-	( 1,396,548)
	<u>\$ 629,290</u>	<u>\$ 2,609,714</u>	<u>\$ 14,833</u>	<u>\$ -</u>	<u>\$ 3,253,837</u>
<u>2016</u>					
Opening net book amount	\$ 629,290	\$ 2,609,714	\$ 14,833	\$ -	\$ 3,253,837
Acquired through business combinations	3,452,553	234,830	3,386,510	605,530	7,679,423
Amortization charge	-	( 426,959)	( 2,000)	-	( 428,959)
Net exchange differences	33,448	( 43,811)	31,798	7,220	28,655
Closing net book amount	<u>\$ 4,115,291</u>	<u>\$ 2,373,774</u>	<u>\$ 3,431,141</u>	<u>\$ 612,750</u>	<u>\$ 10,532,956</u>
<u>At December 31, 2016</u>					
Cost	\$ 4,115,291	\$ 4,170,702	\$ 3,434,308	\$ 612,750	\$ 12,333,051
Accumulated amortization and impairment	-	( 1,796,928)	( 3,167)	-	( 1,800,095)
	<u>\$ 4,115,291</u>	<u>\$ 2,373,774</u>	<u>\$ 3,431,141</u>	<u>\$ 612,750</u>	<u>\$ 10,532,956</u>

A. Details of acquired through business combinations are provided in Note 6(30).

B. The details of amortization are as follows:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Operating costs	<u>\$ 695,875</u>	<u>\$ 428,959</u>

(14) Other non-current assets

	December 31, 2017	December 31, 2016
Receivable from disposal of investment	\$ 46,564,023	\$ -
Long-term prepaid rent	22,878,698	24,048,061
Computer software cost	2,146,650	1,121,642
Prepayments for equipment	772,191	1,437,862
Other financial assets - non-current	108,033	92,224
Others	4,041,797	3,801,641
	<u>\$ 76,511,392</u>	<u>\$ 30,501,430</u>

A. Long-term prepaid rent refers to the land use rights obtained in China. Upon signing of the lease, the amount has been paid in full. The Group recognised rental expense of \$567,950 and \$449,888 for the years ended December 31, 2017 and 2016, respectively.

B. Details of other non-current assets pledged as collateral are provided in Note 8.

(15) Short-term notes and bills payable

	December 31, 2017	December 31, 2016
Commercial paper	\$ 10,970,000	\$ 16,000,000
Less: Unamortized discount	( 9,731)	( 9,156)
	<u>\$ 10,960,269</u>	<u>\$ 15,990,844</u>
Interest rates per annum	<u>0.550%~0.908%</u>	<u>0.398%~0.458%</u>

(16) Short-term loans

Type of loans	December 31, 2017	Interest rate range	Collateral
Bank loans			
Credit loans	<u>\$ 418,835,146</u>	0.38%-5.3%	None
Type of loans	December 31, 2016	Interest rate range	Collateral
Bank loans			
Credit loans	\$ 167,471,587	1.18%~4.7%	None
Secured loans	<u>4,000,556</u>	3.92%~4.35%	Time deposits
	<u>\$ 171,472,143</u>		

A. As of December 31, 2017 and 2016, the Company provided guarantees on the short-term credit facilities obtained by Foxconn Slovakia, SPOL S.R.O., a subsidiary of the Company, in the amount of EUR 150 million and EUR 181 million, respectively.

B. As of December 31, 2017 and 2016, the Company provided guarantees on the short-term credit facilities obtained by Competition Team Technologies Limited, a subsidiary of the Company, totaling RMB 2 billion.

C. As of December 31, 2017 and 2016, the Company provided guarantees on the short-term credit facilities obtained by Falcon Precision Trading Limited, a subsidiary of the Company, totaling RMB 1.9 billion.

- D. As of December 31, 2017 and 2016, the Company provided guarantees on the short-term credit facilities obtained by Fusing International Inc., a subsidiary of the Company, totaling USD 195 million.
- E. As of December 31, 2017 and 2016, the Company provided guarantees on the short-term credit facilities obtained by Best Leap Enterprises Limited, a subsidiary of the Company, totaling RMB 500 million.
- F. As of December 31, 2017, the Company provided guarantees up to USD 1,098,750 thousand on the tax allowance for Afe Inc., a subsidiary of the Company.
- G. As of December 31, 2017, the Company provided guarantees up to USD 31,500 thousand on the land lease agreement entered into by Fuyu Properties (Shanghai) Co., Ltd., a subsidiary of the Company.
- H. The Group has signed an agreement to offset financial assets and liabilities with financial institutions. The agreement meets the offsetting criteria of IAS 32, whereby the financial assets and liabilities are offset and reported in the net amount in the balance sheet. Details of the offset As of December 31, 2017 and 2016 are as follows:

December 31, 2017			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	\$ 1,399,777,731	\$ 1,399,777,731	\$ -
Financial products and loans	1,463,556	1,463,556	-
	<u>\$ 1,401,241,287</u>	<u>\$ 1,401,241,287</u>	<u>\$ -</u>
December 31, 2016			
Description	Gross amount of recognised financial assets and liabilities	Gross amount of recognised financial assets and liabilities offset in the balance sheet	Net amount of financial assets and liabilities presented in the balance sheet
Bank deposits and loans	\$ 1,764,001,673	\$ 1,764,001,673	\$ -
Financial products and loans	8,439,601	8,439,601	-
	<u>\$ 1,772,441,274</u>	<u>\$ 1,772,441,274</u>	<u>\$ -</u>

(17) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Awards and salaries payable	\$ 83,273,985	\$ 50,354,557
Payables for equipment	27,468,160	18,973,484
Accrued interest payable	18,607,312	14,705,018
Consumption goods expense payable (including indirect materials)	15,685,684	17,289,523
Employees' bonuses payable	13,814,216	11,977,246
Royalty fees payable	12,288,991	38,737,177
Tax payable	5,160,028	5,277,485
Product popularization expense payable	4,263,451	-
Others	75,134,299	61,103,367
	<u>\$ 255,696,126</u>	<u>\$ 218,417,857</u>

(18) Other current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Receipts in advance of payments for equipment on behalf of others	\$ 7,882,082	\$ 9,235,108
Receipts in advance	11,457,913	12,039,882
Deferred income	6,234,883	6,021,669
Bonds payable maturing within one year	36,992,288	60,617,745
Long-term loans maturing within one year	7,830,550	145,213
Others	3,406,261	3,848,946
	<u>\$ 73,803,977</u>	<u>\$ 91,908,563</u>

(19) Bonds payable

	December 31, 2017	December 31, 2016
Convertible bonds payable	\$ 15,096,000	\$ -
Less: Discount on bonds payable	( 1,104,011)	-
	<u>13,991,989</u>	<u>-</u>
Corporate bonds payable	139,600,000	138,400,000
Foreign unsecured corporate bonds JPY-denominated	13,243,200	10,142,625
Foreign unsecured corporate bonds EUR-denominated	8,892,288	8,475,300
Foreign unsecured corporate bonds RMB-denominated	-	3,712,620
Foreign unsecured corporate bonds USD-denominated	29,760,000	53,212,500
Less: Discount on bonds payable	<u>-</u>	<u>( 22,455)</u>
	205,487,477	213,920,590
Less: Current portion (shown as “other current liabilities”)	<u>( 36,992,288)</u>	<u>( 60,617,745)</u>
	<u>\$ 168,495,189</u>	<u>\$ 153,302,845</u>

A. Second debenture issue of 2011

- (a) On June 1, 2011, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$7,050,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	June 2011	5 years	\$ 3,000,000	1.43%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	June 2011	7 years	\$ 2,650,000	1.66%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	June 2011	10 years	\$ 1,400,000	1.82%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The second unsecured corporate Bond A issued in 2011 have matured and been fully paid in June 2016 in accordance with the conditions of the contractual arrangement.
- (c) The related payable of the second unsecured corporate Bond B issued in 2011 had been reclassified to “Current liabilities” in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

B. First debenture issue of 2012

On December 28, 2011, following the approval from the SFB, the Company issued domestic

unsecured bonds in the amount of \$9,000,000. The unsecured bonds have matured and been fully paid in the first quarter of 2017.

C. Second debenture issue of 2012

On May 11, 2012, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The unsecured bonds have matured and been fully paid in the second quarter of 2017.

D. Fourth debenture issue of 2012

On September 28, 2012, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$3,300,000. The unsecured bonds have matured and been fully paid in the fourth quarter of 2017.

E. First debenture issue of 2013

(a) On January 7, 2013, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$11,050,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	January 2013	5 years	\$ 7,450,000	1.33%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	January 2013	7 years	\$ 3,600,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The related payable of the first unsecured corporate Bond A issued in 2013 had been reclassified to “Current liabilities” in the first quarter of 2017 in accordance with the conditions of the contractual arrangement.

F. Second debenture issue of 2013

On May 6, 2013, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,950,000. The unsecured bonds have matured and been fully paid in the fourth quarter of 2016.

G. Third debenture issue of 2013

(a) On November 5, 2013, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	December 2013	3 years	\$ 3,000,000	1.35%	Principal is due at maturity. Interest is paid annually at simple interest rate.

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond B	December 2013	5 years	\$ 800,000	1.50%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	December 2013	7 years	\$ 2,200,000	1.85%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The third unsecured corporate Bond A issued in 2013 have matured and been fully paid in the fourth quarter of 2016 in accordance with the conditions of the contractual arrangement.
- (c) The related payable of the third unsecured corporate bond B issued in 2013 had been reclassified to “Current liabilities” in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.

#### H. First debenture issue of 2014

- (a) On December 31, 2013, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$6,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	March 2014	3 years	\$ 2,050,000	1.23%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	March 2014	5 years	\$ 1,100,000	1.40%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	March 2014	7 years	\$ 350,000	1.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	March 2014	10 years	\$ 2,500,000	2.00%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The first unsecured corporate Bond A issued in 2014 have matured and been fully paid in the first quarter of 2017 in accordance with the conditions of the contractual arrangement.

#### I. Second debenture issue of 2014

- (a) On April 18, 2014, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$12,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	May 2014	3 years	\$ 2,850,000	1.17%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	May 2014	5 years	\$ 1,600,000	1.37%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	May 2014	7 years	\$ 3,350,000	1.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	May 2014	10 years	\$ 4,200,000	1.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The second unsecured corporate Bond A issued in 2014 have matured and been fully paid in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

J. Third debenture issue of 2014

On June 5, 2014, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$12,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	July 2014	7 years	\$ 6,000,000	1.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	July 2014	10 years	\$ 6,000,000	1.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.

K. Fourth debenture issue of 2014

(a) On September 3, 2014, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,200,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	October 2014	3.5 years	\$ 2,200,000	1.25%	Principal is due at maturity. Interest is paid annually at simple interest rate.

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond B	October 2014	5 years	\$ 1,400,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	October 2014	7 years	\$ 3,200,000	1.80%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	October 2014	10 years	\$ 2,200,000	2.02%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	October 2014	12 years	\$ 200,000	2.15%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The related payable of the fourth unsecured corporate bond A issued in 2014 had been reclassified to “Current liabilities” in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

L. Fifth debenture issue of 2014

(a) On November 14, 2014, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$7,150,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	January 2015	3 years	\$ 2,750,000	1.23%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	January 2015	5 years	\$ 1,600,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	January 2015	7 years	\$ 2,800,000	1.80%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The related payable of the fifth unsecured corporate bond A issued in 2014 had been reclassified to “Current liabilities” in the first quarter of 2017 in accordance with the conditions of the contractual arrangement.

M. First debenture issue of 2015

(a) On January 12, 2015, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$7,650,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	April 2015	2 years	\$ 100,000	1.10%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	April 2015	3 years	\$ 4,150,000	1.23%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	April 2015	4 years	\$ 100,000	1.34%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	April 2015	5 years	\$ 2,300,000	1.44%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	April 2015	7 years	\$ 1,000,000	1.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The first unsecured corporate Bond A issued in 2015 have matured and been fully paid in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

(c) The related payable of the first unsecured corporate Bond B issued in 2015 had been reclassified to “Current liabilities” in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

#### N. Second debenture issue of 2015

(a) On May 22, 2015, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	June 2015	3 years	\$ 2,600,000	1.18%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	June 2015	3.5 years	\$ 600,000	1.23%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	June 2015	4 years	\$ 400,000	1.30%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	June 2015	5 years	\$ 2,200,000	1.39%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	June 2015	6 years	\$ 400,000	1.55%	Principal is due at maturity. Interest is paid annually at simple interest rate.

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond F	June 2015	7 years	\$ 2,300,000	1.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	June 2015	10 years	\$ 500,000	1.90%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The related payable of the second unsecured corporate Bond A issued in 2015 had been reclassified to “Current liabilities” in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

(c) The related payable of the second unsecured corporate Bond B issued in 2015 had been reclassified to “Current liabilities” in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.

O. Third debenture issue of 2015

(a) On August 26, 2015, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	September 2015	2 years	\$ 1,400,000	0.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	September 2015	3 years	\$ 1,800,000	1.05%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	September 2015	4 years	\$ 1,100,000	1.15%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	September 2015	5 years	\$ 2,800,000	1.25%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	September 2015	5.5 years	\$ 200,000	1.27%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	September 2015	6 years	\$ 400,000	1.33%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	September 2015	7 years	\$ 1,000,000	1.45%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond H	September 2015	12 years	\$ 300,000	2.00%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The third unsecured corporate Bond A issued in 2015 have matured and been fully paid in the third quarter of 2017 in accordance with the conditions of the contractual arrangement.
- (c) The related payable of the third unsecured corporate Bond B issued in 2015 had been reclassified to “Current liabilities” in the third quarter of 2017 in accordance with the conditions of the contractual arrangement.

P. Fourth debenture issue of 2015

- (a) On October 29, 2015, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	November 2015	2 years	\$ 1,100,000	0.92%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	November 2015	3 years	\$ 1,500,000	1.00%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	November 2015	4 years	\$ 700,000	1.09%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	November 2015	5 years	\$ 3,900,000	1.20%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	November 2015	6 years	\$ 100,000	1.28%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	November 2015	7 years	\$ 1,400,000	1.40%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	November 2015	10 years	\$ 100,000	1.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond H	November 2015	12 years	\$ 200,000	1.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The fourth unsecured corporate Bond A issued in 2015 have matured and been fully paid in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.
- (c) The related payable of the fourth unsecured corporate Bond B issued in 2015 had been reclassified to “Current liabilities” in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.

Q. First debenture issue of 2016

- (a) On June 2, 2016, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

<u>Type of bonds</u>	<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
Bond A	June 2016	2 years	\$ 400,000	0.60%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	June 2016	3 years	\$ 1,300,000	0.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	June 2016	4.5 years	\$ 300,000	0.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	June 2016	5 years	\$ 2,100,000	0.80%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	June 2016	6 years	\$ 1,300,000	0.88%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	June 2016	7 years	\$ 1,800,000	0.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond G	June 2016	10 years	\$ 1,800,000	1.20%	Principal is due at maturity. Interest is paid annually at simple interest rate.

(b) The related payable of the first unsecured corporate Bond A issued in 2016 had been reclassified to “Current liabilities” in the second quarter of 2017 in accordance with the conditions of the contractual arrangement.

R. Second debenture issue of 2016

On July 29, 2016, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	August 2016	3 years	\$ 1,500,000	0.65%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	August 2016	4 years	\$ 100,000	0.65%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	August 2016	4.9 years	\$ 500,000	0.70%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	August 2016	5 years	\$ 2,300,000	0.73%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	August 2016	6 years	\$ 1,700,000	0.83%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	August 2016	7 years	\$ 2,900,000	0.90%	Principal is due at maturity. Interest is paid annually at simple interest rate.

S. Third debenture issue of 2016

- (a) On November 7, 2016, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$3,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	November 2016	2 years	\$ 1,200,000	0.68%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	November 2016	3 years	\$ 900,000	0.75%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	November 2016	5 years	\$ 900,000	0.83%	Principal is due at maturity. Interest is paid annually at simple interest rate.

- (b) The related payable of the third unsecured corporate Bond A issued in 2016 had been reclassified to “Current liabilities” in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.

T. First debenture issue of 2017

On May 9, 2017, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are

summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	May 2017	2 years	\$ 500,000	0.80%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	May 2017	3 years	\$ 3,200,000	0.95%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	May 2017	5 years	\$ 4,000,000	1.21%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	May 2017	7 years	\$ 900,000	1.36%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	May 2017	10 years	\$ 400,000	1.53%	Principal is due at maturity. Interest is paid annually at simple interest rate.

U. Second debenture issue of 2017

On July 28, 2017, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	August 2017	2 years	\$ 400,000	0.78%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	August 2017	3 years	\$ 1,800,000	0.90%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	August 2017	4 years	\$ 800,000	0.98%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	August 2017	5 years	\$ 3,100,000	1.04%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond E	August 2017	6 years	\$ 200,000	1.18%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond F	August 2017	7 years	\$ 2,000,000	1.30%	Principal is due at maturity. Interest is paid annually at simple interest rate.

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond G	August 2017	10 years	\$ 700,000	1.52%	Principal is due at maturity. Interest is paid annually at simple interest rate.

#### V. Third debenture issue of 2017

On November 7, 2017, following the approval from the SFB, the Company issued domestic unsecured bonds in the amount of \$9,000,000. The terms of these domestic unsecured bonds are summarized as follows:

Type of bonds	Issuance date	Period	Amount	Coupon rate	Payment term
Bond A	November 2017	3 years	\$ 3,100,000	0.84%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond B	November 2017	5 years	\$ 2,950,000	1.00%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond C	November 2017	7 years	\$ 1,950,000	1.18%	Principal is due at maturity. Interest is paid annually at simple interest rate.
Bond D	November 2017	10 years	\$ 1,000,000	1.40%	Principal is due at maturity. Interest is paid annually at simple interest rate.

#### W. USD-denominated foreign unsecured corporate bonds

- (a) On December 13, 2012, Competition Team Technologies Ltd., a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of US\$ 650 million. The Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

Issuance date	Period	Amount	Coupon rate	Payment term
December 2012	5 years	USD 650 million	2.125%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

- (b) The USD-denominated foreign unsecured corporate bonds issued in 2012 have matured and been fully paid in the fourth quarter of 2017 in accordance with the conditions of the contractual arrangement.

#### X. JPY-denominated foreign unsecured corporate bonds

On May 9, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 2 billion. The Company is the guarantor of the bonds. The JPY-denominated foreign unsecured corporate bonds have matured and been fully

paid in the second quarter of 2017.

Y. RMB-denominated foreign unsecured corporate bonds

On May 23, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of RMB 800 million. The Company is the guarantor of the bonds. The RMB -denominated foreign unsecured corporate bonds have matured and been fully paid in the second quarter of 2017.

Z. JPY-denominated foreign unsecured corporate bonds

On August 15, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 30 billion. The Company is the guarantor of the bonds. The JPY-denominated foreign unsecured corporate bonds have matured and been fully paid in the third quarter of 2017.

AA. JPY-denominated foreign unsecured corporate bonds

On September 18, 2014, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 5 billion. The Company is the guarantor of the bonds. The JPY-denominated foreign unsecured corporate bonds have matured and been fully paid in the third quarter of 2017.

BB. EUR-denominated foreign unsecured corporate bonds

- (a) On February 13, 2015, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of EUR 200 million, and the Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

Issuance date	Period	Amount	Coupon rate	Payment term
February 2015	3 years	EUR 200 million	1.08%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

- (b) The related payable of the EUR-denominated foreign unsecured corporate bonds issued in 2015 had been reclassified to “Current liabilities” in the first quarter of 2017 in accordance with the conditions of the contractual arrangement.

CC. EUR-denominated foreign unsecured corporate bonds

- (a) On February 13, 2015, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of EUR 50 million, and the Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
February 2015	3 years	EUR 50 million	Floating rate of 3-month EUR LIBOR plus 1%	Principal is due at maturity. Interest is paid quarterly at simple interest rate.

- (b) The related payable of the EUR-denominated foreign unsecured corporate bonds issued in 2015 had been reclassified to “Current liabilities” in the first quarter of 2017 in accordance with the conditions of the contractual arrangement.

#### DD. USD-denominated foreign unsecured corporate bonds

On September 23, 2016, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of USD 1 billion, and the Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
September 2016	5 years	USD 600 million	2.25%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.
September 2016	10 years	USD 400 million	3.00%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

#### EE. JPY-denominated foreign unsecured corporate bonds

On September 20, 2017, Foxconn (Far East) Limited, a subsidiary of the Company, issued foreign unsecured corporate bonds in the amount of JPY 50 billion, and the Company is the guarantor of the bonds. The terms of these foreign unsecured corporate bonds are summarized as follows:

<u>Issuance date</u>	<u>Period</u>	<u>Amount</u>	<u>Coupon rate</u>	<u>Payment term</u>
September 2017	3 years	JPY 41.5 billion	0.42%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.
September 2017	5 years	JPY 6 billion	0.52%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.
September 2017	7 years	JPY 2.5 billion	0.70%	Principal is due at maturity. Interest is paid semi-annually at simple interest rate.

#### FF. First overseas convertible bond issue of 2017

- (a) The Company issued the first overseas unsecured convertible bonds totaling USD 500

million with the approval of the competent authority on August 22, 2017. The bonds carry zero coupon rate over 5 years. The circulation period is from November 6, 2017 to November 6, 2022.

- (b) The conversion price is adjusted in line with the model specified in the conversion rules. As of December 31, 2017, there has not been any converted common stock at the conversion price of NT\$145 (using the exchange rate of 1 USD: 30.192 TWD).
- (c) In accordance with the conversion rules, if the convertible bond is purchased (including purchased from the secondary market), early redeemed, or repaid at maturity by the Company, or if the convertible bond is converted into common stocks or redeemed by the bondholder, the bond is to be retired and will not be reissued.
- (d) In accordance with the conversion rules, the rights and obligations of common stocks converted are the same as the outstanding ones previously subscribed.
- (e) The effective interest rate of the convertible bonds is 1.52% per annum.
- (f) The conversion options for the first overseas convertible bond issue of 2017 are separated from the liabilities and recorded as 'capital surplus – share options' amounting to \$1,099,253.

(20) Long-term loans

Institution	Loan period	Interest rate	Collateral	December 31, 2017
Mizuho Corporate Bank Ltd., etc. syndicated loan	2016/8/22~2018/8/22	2.15%~ 2.1656%	None	\$ 7,440,000
Citi Bank	2017/5/17~2020/5/17	0.5500%	"	2,648,640
Mizuho Corporate Bank Ltd., etc. syndicated loan	2015/11/30~2020/11/30	0.4800%	"	5,335,500
First Commercial Bank	2011/11/30~2026/11/30	1.5433%	Note 1	2,142,858
ING Bank, N.V. etc. syndicated loan	2013/1/7~2020/7/29	1.7900%	None	407,890
First Commercial Bank	2013/9/6~2033/9/6	1.7548%	Note 1	1,368,000
First Commercial Bank	2015/4/9~2022/4/9	1.8076%	None	275,275
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~2028/4/15	1.9900%~ 2.2000%	Note 1	21,546
Agricultural Bank of China	2017/5/23~2027/9/24	4.4100%~ 4.6550%	None	1,801,770
Other loan (Note2) China Bills Finance Corporation and other financial institutions jointly underwrite	2017/12/25~2020/4/25	1.0460%	None	6,400,000
				<u>27,841,479</u>
Less: Current portion			(	7,830,550)
Less: Unamortized discount			(	26,111)
			\$	<u><u>19,984,818</u></u>

Institution	Loan period	Interest rate	Collateral	December 31, 2016
Mizuho Corporate Bank Ltd., etc. syndicated loan	2016/8/22~2018/8/22	1.255%~ 2.11%	None	\$ 16,125,000
ING Bank, N.V. etc. syndicated loan	2015/11/30~2020/11/30	0.4800%~ 1.7548%~	"	4,407,000
First Commercial Bank ING Bank, N.V. etc. syndicated loan	2011/11/30~2026/11/30	1.8228%	Note 1	2,380,952
First Commercial Bank	2013/1/7~2020/7/29	1.7900%	None	567,321
First Commercial Bank	2013/9/6~2033/9/6	1.7548%~ 1.9556%~	Note 1	1,178,000
First Commercial Bank	2015/4/9~2022/4/9	2.0296%	None	391,806
The Shanghai Commercial & Savings Bank, Ltd.	2013/6/17~2028/4/15	2.2000%	Note 1	24,927
				25,075,006
Less: Current portion				( 145,213)
				<u>\$ 24,929,793</u>

Note 1: Details of long-term borrowings pledged as collateral are provided in Note 8.

Note 2: On December 15, 2017, the Company entered into a joint underwriting agreement with the administering underwriter China Bills Finance Corporation and four other financial institutions. Under the agreement, six-month promissory notes will be issued for a total revolving credit of \$6,400,000 over the contract period. The full amount must be drawn within three months of the issuance of the first note.

- A. Foxconn (Far East) Limited, a subsidiary of the Company, entered into a syndicated credit facility agreement with Mizuho Corporate Bank Ltd. as the lead bank on June 18, 2013 and obtained a credit line in the amount of USD 500 million, with the Company as the guarantor of the loan. The subsidiary has extended the duration of agreement to August 22, 2018 in the third quarter of 2016.
- B. On May 17, 2017, the subsidiary, Foxconn (Far East) Limited, has signed the facility agreement with Citibank Singapore for the borrowing limit of JPY 10 billion.
- C. Foxconn Slovakia, SPOL. S R. O., a subsidiary of the Company, entered into a syndicated credit facility agreement with ING Bank N.V. as the lead bank and obtained a credit limit in the amount of EUR 410 million, of which EUR 35 million had been due for settlement and EUR 265 million had been repaid in advance. The subsidiary has extended the duration of agreement to November 30, 2020 in the fourth quarter of 2015. The credit limit is EUR 150 million, with the Company as the guarantor of the loan.
- D. On April 18, 2011, the subsidiary, Syntrend Creative Park Co. Ltd., has signed the facility agreement with First Commercial Bank for the borrowing limit of \$2.5 billion.

- E. On October 19, 2012, the subsidiaries, Altus Technology Inc., Ingrasys Technology Co., Ltd. and Dynamic Computing Technology Co., Ltd., have signed the facility agreements with First Commercial Bank for a total borrowing limit of \$1,390,000. The limit has been transferred to Altus Technology Inc. in the second quarter of 2015.
- F. On May 23, 2017, the subsidiary, Lankao YuFu Precision Technology Co., Ltd., has signed the facility agreement with Agricultural Bank of China Limited for the borrowing limit of RMB 500 million.
- G. Throughout the term of Mizuho Corporate Bank Ltd., ING Bank, N.V. and Citibank Ltd. etc. syndicated term loan agreement, the Group shall maintain the agreed financial ratios, to be tested semi-annually and annually on consolidated basis.

(21) Pensions

A. Defined benefit plans

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows (shown as "Other non-current liabilities"):

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	\$ 2,341,897	\$ 2,332,245
Fair value of plan assets	( 662,556)	( 622,528)
Net defined benefit liability	<u>\$ 1,679,341</u>	<u>\$ 1,709,717</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 2,332,245	\$ 622,528	\$ 1,709,717
Current service cost	15,596	-	15,596
Interest income	-	9,960	( 9,960)
Interest expense	37,316	-	37,316
	<u>2,385,157</u>	<u>632,488</u>	<u>1,752,669</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 3,259)	3,259
Change in financial assumptions	123,623	-	123,623
Experience adjustments	( 72,310)	-	( 72,310)
	<u>51,313</u>	<u>( 3,259)</u>	<u>54,572</u>
Pension fund contribution	-	125,319	( 125,319)
Paid pension	( 94,573)	( 91,992)	( 2,581)
Balance at December 31	<u>\$ 2,341,897</u>	<u>\$ 662,556</u>	<u>\$ 1,679,341</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2016</u>			
Balance at January 1	\$ 2,401,073	\$ 631,567	\$ 1,769,506
Current service cost	22,909	-	22,909
Interest income	-	10,736	( 10,736)
Interest expense	40,818	-	40,818
	<u>2,464,800</u>	<u>642,303</u>	<u>1,822,497</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 4,705)	4,705
Change in financial assumptions	32,545	-	32,545
Experience adjustments	( 94,955)	-	( 94,955)
	<u>( 62,410)</u>	<u>( 4,705)</u>	<u>( 57,705)</u>
Pension fund contribution	-	55,075	( 55,075)
Paid pension	( 70,145)	( 70,145)	-
Balance at December 31	<u>\$ 2,332,245</u>	<u>\$ 622,528</u>	<u>\$ 1,709,717</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Discount rate	1.20%	1.60%
Future salary increases	3.50%	3.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 78,295)	\$ 81,888	\$ 74,217	(\$ 71,512)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 80,259)	\$ 84,030	\$ 76,586	(\$ 73,705)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amount to \$34,565.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 14 years.

## B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries in mainland China have defined contribution pension plans and contribute an amount monthly based on 8%~9% of employees’ monthly salaries and wages to an independent fund administered by a government agency. The plan is administered by the government of mainland China. Other than the monthly contributions, the Group does not have further pension liabilities.
- (c) As of December 31, 2017 and 2016, the subsidiaries which participated in defined contribution pension plans recognised reserve according to the respective local laws for retirement plan in the amount of \$67,480 and \$63,665, respectively. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$18,822,173 and \$21,129,888, respectively.

## (22) Share-based payment

As of December 31, 2017 and 2016, the share-based payment transactions of FIH Mobile Limited and Foxconn Interconnect Technology Limited, subsidiaries of the Company, are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Other share-based payment plans	August 19, 2015	114,717,017	-	Note (1)(4)
"	November 1, 2016	101,168,760	-	Note (2)(4)
"	November 22, 2017	118,595,820	-	Note (3)(4)
"	November 28, 2017	2,171,795	-	Note (4)
Senior management share grant plan	January 1, 2015	21,840,000	-	Note (5)
Employee restricted shares plans	January 1, 2016	4,101,500	-	Note (6)

Note 1: Of the shares granted, 108,541,274 shares cannot be sold within 1 year from the grant date.

Note 2: Of the shares granted, 101,168,760 shares cannot be sold within 1 year from the grant date.

Note 3: Of the shares granted, 4,251,902 shares cannot be sold within 1 year from the grant date.

Note 4: Vested immediately.

Note 5: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees’ service periods. Shares will be vested from March 31, 2017 in accordance with the number of the grantees’ shares on every March 31, June 30, September 30 and December 31 at 9 % in each quarter of 2017, 3% in each quarter of 2018 and 3.25% in each quarter from 2019 to 2022. Such vesting schedule was subsequently revised by the Company in May 2017, under which the shares will be vested from March 31, 2018 in accordance with the number of the grantees’ shares on every March 31, June 30, September 30 and December 31 at 12% in each quarter of 2018 and 3.25% in each quarter

from 2019 to 2022.

Note 6: Grantees do not need to pay to acquire those shares. Issuance of shares is based on grantees' service periods and certain performance indications. Shares will be vested from December 31, 2016 in accordance with the number of the grantees shares on every December 31 at 25% over the 4-year period, subject to performance related adjustment.

A. Other share-based payment plans

These share-based payments were granted to employees without consideration received. For the years ended December 31, 2017 and 2016, expenses incurred on other share-based payments were \$1,737,776 (US \$58,393 thousand) and \$1,543,841 (US \$47,856 thousand), respectively.

B. Senior management share grant plan

The weighted average fair value of shares granted under this plan determined using the H-model was USD3.95 per share. The significant inputs into the model were weighted average cost of capital of 13.4%, perpetuity growth rate of 3%, discount for lack of marketability of 20% and control premium of 20%. The volatility is measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices of comparable companies in the market. For the years ended December 31, 2017 and 2016, expenses incurred on senior management share grant plan were \$535,416 (US \$17,595 thousand) and \$723,979 (US \$22,442 thousand), respectively.

C. Employees' share restricted share plan

The weighted average fair value of shares granted determined using the market approach was USD6 per share. The significant input applied in this approach was price/earnings ratio of 13.5. For the years ended December 31, 2017 and 2016, expenses incurred on employees' share restricted share plan were \$166,178 (US \$5,461 thousand) and \$365,732 (US \$11,337 thousand), respectively.

(23) Other non-current liabilities

	December 31, 2017	December 31, 2016
Reserve for retirement pension	\$ 1,746,821	\$ 1,773,382
Government grants	3,644,644	3,736,718
Finance lease payable	1,666,913	1,784,615
Others	1,841,958	1,474,172
	<u>\$ 8,900,336</u>	<u>\$ 8,768,887</u>

(24) Provisions

	Warranty
At January 1, 2017	\$ 2,983,036
Additional provisions	3,588,939
Used during the year	( 856,280)
Unused amounts reversed	( 887,292)
Exchange differences	( 31,905)
At December 31, 2017	<u>\$ 4,796,498</u>

Analysis of total provisions:

	December 31, 2017	December 31, 2016
Current	\$ 4,796,498	\$ 2,983,036

The Group provides warranties on 3C products sold. Provision for warranty is estimated based on historical warranty data of 3C products.

(25) Share capital—common stock

A. As of December 31, 2017, the Company's authorised capital was \$180,000,000, consisting of 18 billion shares of ordinary stock, and the paid-in capital was \$173,287,383, consisting of 17,328,738 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	For the years ended December 31,	
	2017	2016
	(Shares in thousands)	(Shares in thousands)
At January 1	17,328,738	15,638,288
Stock dividends	-	1,563,829
Employees' stock bonus	-	126,621
At December 31	17,328,738	17,328,738

B. Pursuant to the resolution adopted at the stockholders' meeting held on June 1, 1999, and after obtaining approval from the SFC, the Company issued 25 million units of global depository receipts (GDRs) in Europe, Asia and the USA. The issuance amounted to USD 347,250 thousand, and the main terms and conditions of the GDRs are as follows:

(a) Voting

Holders of GDRs have no right to directly exercise voting rights or attend the Company's stockholders' meeting, except when a motion is on the election of directors or supervisors.

A holder or holders together holding at least 51% of the GDRs outstanding at the relevant record date of the stockholders' meeting can instruct the Depositary to vote in the same direction in respect of one or more resolutions to be proposed at the meeting.

(b) Sale and withdrawal of GDRs

Under the current R.O.C. law, shares represented by the GDRs may be withdrawn by holders of GDRs commencing three month after the initial issue of GDRs. A holder of a GDR may, provided that the Company has delivered to the custodian physical share certificates in respect of the Deposited Shares, request the Depositary to sell or cause to be sold on behalf of such holder the shares represented by such GDRs.

(c) Dividends

GDR holders are entitled to receive dividends to the same extent as the holders of common stock.

(d) As of December 31, 2017, 132,970 thousand units of GDRs were outstanding, which represents 265,940 thousand shares of common stock.

### C. Treasury stocks

The Company's subsidiary, Hon Jin International Investment Co., Ltd., acquired ordinary shares issued by the Company in 1998. As of December 31, 2017 and 2016, the subsidiary owned a total of 1,853,848 shares of the Company's common stock at a cost of \$18,901.

### (26) Capital surplus

Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Share option	Total
At January 1, 2017	\$ 88,501,031	\$ 1,168,232	\$ 3,377,348	\$ -	\$ 93,046,611
Adjustments arising from changes in percentage of ownership in subsidiaries	-	2,132,161	-	-	2,132,161
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	1,594,859	-	1,594,859
Due to recognition of equity component of convertible bonds issued	-	-	-	1,099,253	1,099,253
At December 31, 2017	<u>\$ 88,501,031</u>	<u>\$ 3,300,393</u>	<u>\$ 4,972,207</u>	<u>\$ 1,099,253</u>	<u>\$ 97,872,884</u>

	Share premium	Changes in ownership interests in subsidiaries	Net change in equity of associates	Total
At January 1, 2016	\$ 79,169,050	\$ -	\$ 2,567,488	\$ 81,736,538
Employees' stock bonus	9,331,981	-	-	9,331,981
Adjustments arising from changes in percentage of ownership in subsidiaries	-	1,168,232	-	1,168,232
Changes in equity of associates and joint ventures accounted for under the equity method	-	-	809,860	809,860
At December 31, 2016	<u>\$ 88,501,031</u>	<u>\$ 1,168,232</u>	<u>\$ 3,377,348</u>	<u>\$ 93,046,611</u>

### (27) Retained earnings

A. In accordance with the Company's Articles of Incorporation, current year's earnings must be distributed in the following order:

- (a) Covering accumulated deficit;
- (b) Setting aside as legal reserve equal to 10% of current year's net income.
- (c) Setting aside a special reserve in accordance with applicable legal and regulatory requirement;

The remaining earnings along with the unappropriated earnings at the beginning of the period are considered as accumulated distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the Board of Directors and resolved by the shareholders.

The Company is at the growing stage. The Company's stock dividend policy shall consider the Company's current and future investment environment, capital needs, local and foreign competition situation and capital budget, along with shareholders' profit and the Company's long-term financial plans. The shareholders' dividends are appropriated based on accumulated distributable earnings, which shall not be lower than 15% of the distributable earnings for the period and the cash dividend shall not be less than 10% of the shareholders' dividends.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 22, 2017 and June 22, 2016, respectively. Details are summarized below:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 14,866,298	\$ -	\$ 14,686,698	\$ -
Stock dividends	-	-	15,638,288	1.0
Cash dividends	77,979,322	4.5	62,553,153	4.0
	<u>\$ 92,845,620</u>	<u>\$ 4.5</u>	<u>\$ 92,878,139</u>	<u>\$ 5.0</u>

As of March 30, 2018, the distribution of 2017 earnings had not been approved by the board of directors. The information on distribution of earnings will be posted on the "Market Observation Post System" of the TSEC.

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(35).

(28) Other equity items

	Currency translation adjustments	Available-for-sale investment	Total
At January 1, 2017	(\$ 7,741,467)	\$ 40,249,734	\$ 32,508,267
- Group	( 44,879,628)	( 20,041,202)	( 64,920,830)
- Associates	( 3,699,342)	8,572,595	4,873,253
At December 31, 2017	(\$ 56,320,437)	\$ 28,781,127	(\$ 27,539,310)

	Currency translation adjustments	Available-for-sale investment	Total
At January 1, 2016	\$ 52,934,288	\$ 7,187,393	\$ 60,121,681
- Group	( 59,938,105)	28,329,937	( 31,608,168)
- Associates	( 737,650)	4,732,404	3,994,754
At December 31, 2016	(\$ 7,741,467)	\$ 40,249,734	\$ 32,508,267

(29) Non-controlling interests

	For the years ended December 31,	
	2017	2016
At January 1	\$ 55,039,204	\$ 52,761,241
Share attributable to non-controlling interests:		
(Loss) gain for the year	( 3,359,873)	2,694,181
Currency translation difference	( 2,647,722)	( 4,212,766)
Unrealised gains and losses on available- for-sale financial assets	6,348,036	564,064
Changes in non-controlling interests:		
Subsidiaries issued employee share-based payment and issuance of common stock not recognised by shareholding percentage	17,009,053	926,444
Acquisition of additional equity interest in a subsidiary	15,182,942	2,306,040
At December 31	\$ 87,571,640	\$ 55,039,204

- A. Certain subsidiaries of the Group have issued employee share-based payment and new shares during 2017 and 2016. The Group has not purchased additional shares in proportion to its ownership and thus, the non-controlling interest of the Group increased by \$17,009,053 and \$926,444, and equity attributable to owners of the parent increased by \$2,132,161 and \$1,168,232 for the years ended December 31, 2017 and 2016, respectively.
- B. The Company's subsidiary, Foxconn (Far East) Limited, invested US\$600,002 in Foxconn Ventures Pte. Ltd. and acquired 54.5% equity interest from the capital increase in the first quarter of 2017.

(30) Business combinations, acquisition and collaboration transactions

- A. On November 30, 2016, the Group acquired several assets from the feature phone business under Microsoft Mobile OY and cooperation in Nokia's brand products with HMD Global OY and Nokia Technologies Ltd. (collectively referred as "acquisition and cooperative transaction") totaling \$8,243,112 in cash. The primary reason for the acquisition and cooperative transaction is to leverage the Group's existing industry expertise, facilities, personnel and manufacturing capabilities in order to maximize synergies with respect to the acquisition and cooperative transaction, thereby enhancing the Group's overall commercial capabilities (in terms of design, manufacturing, logistics and distribution) as well as businesses with more customers through the development of more global fulfillment services, new markets and new products.
- B. In the second half of 2016, the Group acquired 67% equity interest in Smart Technologies, Inc. (hereafter "SMART") for cash of \$1,179,358 and obtained control over it on December 19, 2016. The investee is a technology company focusing on the educational market, and a leading provider of interactive whiteboard for schools. Besides, SMART also engages in the development of educational software and makes itself advantageous in developing hardware and software for educational use.
- C. The fair value on acquisition date of the acquisition price, assets acquired and liabilities assumed and the fair value of non-controlling interest on acquisition date are as follows:

	SMART	Acquisition and collaboration	Total
Purchase consideration			
Cash	\$ 1,179,358	\$ 8,243,112	\$ 9,422,470
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>186,920</u>	<u>-</u>	<u>186,920</u>
	<u>1,366,278</u>	<u>8,243,112</u>	<u>9,609,390</u>
Fair value of the identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	1,120,423	2,819,284	3,939,707
Other current assets	3,519,792	1,616,797	5,136,589
Property, plant and equipment	995,130	5,346,479	6,341,609
Intangible assets	3,621,340	605,530	4,226,870
Other non-current assets	158,312	-	158,312
Other current liabilities	( 7,257,079)	( 4,567,640)	( 11,824,719)
Other non-current liabilities	( 1,591,493)	( 108,932)	( 1,700,425)
Total identifiable net assets	<u>566,425</u>	<u>5,711,518</u>	<u>6,277,943</u>
Goodwill	<u>\$ 799,853</u>	<u>\$ 2,531,594</u>	<u>\$ 3,331,447</u>

(31) Operating revenue

	For the years ended December 31,	
	2017	2016
3C products (Contain components and related electronic products)	\$ 4,706,736,096	\$ 4,358,733,357

(32) Other income

	For the years ended December 31,	
	2017	2016
Interest income	\$ 46,305,757	\$ 36,236,935
Rental revenue	2,515,042	1,712,825
Dividend income	1,202,077	1,392,767
Government grants	193,563	5,843,050
Other non-operating income	2,613,813	4,936,756
	\$ 52,830,252	\$ 50,122,333

(33) Other gains and losses

	For the years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	\$ 11,245,384	\$ 8,505,332
Net loss on financial liabilities at fair value through profit or loss	( 32,647,628)	( 16,821,737)
Net currency exchange gain	8,017,861	7,074,859
(Loss) gain on disposal of property, plant and equipment	( 22,420)	396,486
Gain (loss) on disposal of investment	66,182,488	( 475,050)
Impairment loss	( 6,542,022)	( 321,322)
Other (loss) gain	( 584,072)	272,435
	\$ 45,649,591	(\$ 1,368,997)

(34) Expenses by nature

Additional disclosures related to cost of sales and operating expenses are as follows:

	For the years ended December 31,	
	2017	2016
Royalty expenses	\$ 6,068,818	\$ 78,565,301
Product warranty costs	48,335,992	42,176,454
Employee benefit expense	339,238,605	312,691,916
Depreciation	59,736,585	62,407,931
Amortisation	1,263,825	878,847
	\$ 454,643,825	\$ 496,720,449

(35) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Wages and salaries	\$ 287,668,627	\$ 263,197,289
Share-based payment	2,439,370	2,633,552
Labor and health insurance fees	13,001,767	12,307,392
Pension costs	18,865,125	21,182,879
Other personnel expenses	17,263,716	13,370,804
	<u>\$ 339,238,605</u>	<u>\$ 312,691,916</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall be between 5% and 7% for employees' compensation.
- B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$10,239,389 and \$10,497,750, respectively; while no directors' and supervisors' remuneration was accrued. The aforementioned amounts were recognised in salary expenses. The expenses recognised for 2017 and 2016 were estimated and accrued based on 6% of profit of current year distributable.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 financial statements. For 2016, the employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors amounted to \$10,497,750 and \$0, respectively, and will be distributed in the form of cash. As of December 31, 2017, \$2,479,408 of the total amount has not yet been distributed.

Information about the appropriation of employees' compensation (bonus) and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(36) Financial costs

	For the years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	\$ 35,781,221	\$ 23,004,138
Corporate bonds	2,960,915	3,545,836
Financing expense from accounts receivable factoring	252,268	20,572
	<u>\$ 38,994,404</u>	<u>\$ 26,570,546</u>

(37) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the year	\$ 44,719,078	\$ 48,843,857
Tax on undistributed surplus earnings	5,962,769	5,389,801
Adjustments in respect of prior years	( 2,861,461)	( 1,103,393)
Total current tax	47,820,386	53,130,265
Deferred tax:		
Origination and reversal of temporary differences	( 322,291)	( 6,537,684)
Income tax expense	\$ 47,498,095	\$ 46,592,581

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2017	2016
Fair value gains/losses on available-for-sale financial assets	\$ 6,192,134	(\$ 6,192,134)
Remeasurement of defined benefit obligations	9,277	( 9,810)
	\$ 6,201,411	(\$ 6,201,944)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	\$ 51,081,272	\$ 68,420,863
Effects from items disallowed by tax regulation	( 9,167,203)	( 26,257,298)
Prior year income tax over estimation	( 2,861,461)	( 1,103,393)
Additional 10% tax on undistributed earnings	5,962,769	5,389,801
Others	2,482,718	142,608
Income tax expense	47,498,095	46,592,581
Changes in deferred income tax	322,291	( 6,537,684)
Prior year income tax over estimation	2,861,461	1,103,393
Prepaid income tax	( 17,243,560)	( 15,186,409)
Income tax payable for prior years	5,032,650	4,769,645
Others	( 31,797)	( 87,824)
Current income tax liability	\$ 38,439,140	\$ 30,653,702

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2017			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for sales allowances	\$ 358,713	\$ 47,845	\$ -	\$ 406,558
Reserve for inventory obsolescence and market price decline	2,328,345	259,552	-	2,587,897
Deferred income	1,493,930	421,643	-	1,915,573
Unrealised financial instruments	-	1,058,268	-	1,058,268
Unrealised expenses	1,092,633	( 663,603)	-	429,030
Difference between accounting and tax basis due to depreciation	5,624,154	( 396,981)	-	5,227,173
Reserve for pension cost	290,921	( 14,169)	9,277	286,029
Unused compensated absences	562,962	98,675	-	661,637
Others	2,839,055	( 362,843)	-	2,476,212
	<u>14,590,713</u>	<u>448,387</u>	<u>9,277</u>	<u>15,048,377</u>
-Deferred tax liabilities:				
Foreign investment income using equity method	( 6,196,928)	791,157	-	( 5,405,771)
Unrealised exchange gain	( 1,424,812)	( 367,680)	-	( 1,792,492)
Interest income	( 3,162,886)	( 67,700)	-	( 3,230,586)
Unrealised gain on financial instruments	( 6,598,160)	406,026	6,192,134	-
Others	( 1,224,800)	( 887,899)	-	( 2,112,699)
	<u>( 18,607,586)</u>	<u>( 126,096)</u>	<u>6,192,134</u>	<u>( 12,541,548)</u>
	<u>(\$ 4,016,873)</u>	<u>\$ 322,291</u>	<u>\$ 6,201,411</u>	<u>\$ 2,506,829</u>

	For the year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for sales allowances	\$ 407,747	(\$ 49,034)	\$ -	\$ 358,713
Reserve for inventory obsolescence and market price decline	2,763,026	( 434,681)	-	2,328,345
Deferred income	1,384,757	109,173	-	1,493,930
Unrealised expenses	2,366,260	( 1,273,627)	-	1,092,633
Difference between accounting and tax basis due to depreciation	7,262,199	( 1,638,045)	-	5,624,154
Reserve for pension cost	301,142	( 411)	( 9,810)	290,921
Unused compensated absences	604,269	( 41,307)	-	562,962
Others	3,214,171	( 375,116)	-	2,839,055
	<u>18,303,571</u>	<u>( 3,703,048)</u>	<u>( 9,810)</u>	<u>14,590,713</u>
-Deferred tax liabilities:				
Foreign investment income using equity method	( 6,113,985)	( 82,943)	-	( 6,196,928)
Unrealised exchange gain	( 885,333)	( 539,479)	-	( 1,424,812)
Interest income	( 847,667)	( 2,315,219)	-	( 3,162,886)
Unrealised gain on financial instruments	( 890,618)	484,592	( 6,192,134)	( 6,598,160)
Others	( 843,213)	( 381,587)	-	( 1,224,800)
	<u>( 9,580,816)</u>	<u>( 2,834,636)</u>	<u>( 6,192,134)</u>	<u>( 18,607,586)</u>
	<u>\$ 8,722,755</u>	<u>(\$ 6,537,684)</u>	<u>(\$ 6,201,944)</u>	<u>(\$ 4,016,873)</u>

- D. The Company did not recognise taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary differences unrecognised as deferred tax liabilities were \$780,143,056 and \$759,570,718, respectively.
- E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.
- F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

	December 31, 2016
Earnings generated in and before 1997	\$ 2,163,509
Earnings generated in and after 1998	669,895,899
	<u>\$ 672,059,408</u>

G. As of December 31, 2016, the balance of the imputation tax credit account was \$73,395,653. The creditable tax rate was 12.70% for the year ended December 31, 2016.

(38) Earnings per share

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 138,734,401	17,326,884	\$ 8.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 138,734,401	17,326,884	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	107,557	
Convertible bonds-overseas	32,982	104,110	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 138,767,383	17,538,551	\$ 7.91
	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 148,662,983	17,295,748	\$ 8.60
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 148,662,983	17,295,748	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	155,812	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 148,662,983	17,451,560	\$ 8.52

(39) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	\$ 69,092,091	\$ 55,410,689
Add: Opening balance of payable on equipment	18,973,484	18,109,912
Less: Ending balance of payable on equipment	( 27,468,160)	( 18,973,484)
Net exchange differences	( 212,569)	( 1,342,764)
Cash paid during the year	<u>\$ 60,384,846</u>	<u>\$ 53,204,353</u>
Disposal of property, plant and equipment	\$ 35,817,524	\$ 4,569,853
Add: Opening balance of receivable on equipment	1,027,567	103,695
Less: Ending balance of receivable on equipment	( 26,824,429)	( 1,027,567)
Less: Others	-	( 1,042,985)
Net exchange differences	( 25,928)	( 283,156)
Cash received during the year	<u>\$ 9,994,734</u>	<u>\$ 2,319,840</u>
Proceeds from disposal of available-for-sale financial assets	\$ 97,535,355	\$ 1,949,812
Add: Opening balance of receivable from disposal of investment	-	-
Less: Ending balance of receivable from disposal of investment	( 93,303,131)	-
Cash received during the year	<u>\$ 4,232,224</u>	<u>\$ 1,949,812</u>

B. Financing activities with no cash flow effects

	For the years ended December 31,	
	2017	2016
Employees' stock dividends	<u>\$ -</u>	<u>\$ 10,598,195</u>

## RELATED PARTY TRANSACTIONS

### (1) Significant transactions and balances with related parties

#### A. Sales

	For the years ended December 31,	
	2017	2016
Sales of goods:		
Associates	\$ 172,961,374	\$ 75,684,500
Other related party	12,962,030	10,961,816
	<u>\$ 185,923,404</u>	<u>\$ 86,646,316</u>

The amounts above include administration and service revenue. Goods are sold based on the price lists in force and terms that would be available to third parties. The Group sold materials to the above related parties for processing and repurchased the finished goods. The sales amount of materials and repurchase price of finished goods were offset against each other and shown at net amount in the financial statements.

#### B. Purchases

	For the years ended December 31,	
	2017	2016
Purchase of goods:		
Associates	\$ 137,864,268	\$ 81,134,151
Other related party	97,701,364	22,641,245
	<u>\$ 235,565,632</u>	<u>\$ 103,775,396</u>

Purchases from related enterprises are based on normal commercial terms and conditions.

### C. Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable:		
Associates	\$ 77,717,827	\$ 26,817,606
Other related party	<u>2,348,561</u>	<u>5,163,239</u>
	<u>80,066,388</u>	<u>31,980,845</u>
Other receivables - sale of property, plant and equipment:		
Associates	121,186	375,044
Innolux Corporation and subsidiaries	26,609,511	-
Other receivables - purchase of materials on behalf of related parties:		
Associates	8,071,821	426,874
Other related party	<u>3,858</u>	<u>10,998</u>
	<u>34,806,376</u>	<u>812,916</u>
Other receivables - disposal of investment (shown as "other receivables" and "other non-current assets"):		
Employee stock platform		
Limited Partnership	<u>93,128,046</u>	<u>-</u>
	<u>\$ 208,000,810</u>	<u>\$ 32,793,761</u>

(a) The amount is due 30 to 90 days after the transaction date.

(b) The conditions of disposal of investment are provided in Note 6(3).

(c) The receivables are unsecured and non-interest bearing.

### D. Payables to related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable:		
Associates	\$ 73,087,053	\$ 20,480,096
Other related party	<u>24,228,066</u>	<u>10,127,833</u>
	<u>97,315,119</u>	<u>30,607,929</u>
Other payables - acquisition of property, plant and equipment:		
Associates	603,918	645,403
Other related party	<u>116,822</u>	<u>120,488</u>
	<u>720,740</u>	<u>765,891</u>
Other payables - procurement of raw materials on behalf of others:		
Associates	<u>788,916</u>	<u>3,866,223</u>
	<u>\$ 98,824,775</u>	<u>\$ 35,240,043</u>

Payables to related parties primarily arose from purchase transactions and procurement of raw materials by the related parties on behalf of the Company. The amount is due 30 to 90 days after the transaction date. The payables are non-interest bearing.

E. Prepayments:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates	<u>\$ 114,617</u>	<u>\$ 123,419</u>

F. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment:		
Associates	\$ 909,616	\$ 3,252,764
Other related party	-	41,392
	<u>\$ 909,616</u>	<u>\$ 3,294,156</u>

(b) Proceeds from sale of property, plant and equipment and gain (loss) on disposal:

	<u>For the years ended December 31,</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Proceeds from sale of property, plant and equipment</u>	<u>Gain / (loss)</u>	<u>Proceeds from sale of property, plant and equipment</u>	<u>Gain</u>
Sale of property, plant and equipment:				
Innolux Corporation and subsidiaries	\$ 31,433,930	(\$ 8,773)	\$ -	\$ -
Associates	436,810	196,487	862,735	5,169
	<u>\$ 31,870,740</u>	<u>\$ 187,714</u>	<u>\$ 862,735</u>	<u>\$ 5,169</u>

(c) Acquisition of financial assets:

	<u>Accounts</u>	<u>No. of shares (thousand)</u>	<u>Objects</u>	<u>Year ended December 31, 2016 Consideration</u>
Associates	Investments accounted for under equity method	416	Stock	<u>\$ 161,223</u>

(d) Disposal of financial assets:

	Accounts	No. of shares (thousands)	Objects	Year ended December 31, 2017	
				Proceeds	Gain/(loss)
Employee Stock			Class C shares		
Platform Limited Available-for-sale			of Sharp		
Partnership	financial assets	1,136	Corporation	<u>\$ 93,128,046</u>	<u>\$ 63,029,726</u>

On March 29, 2017, the disposal of Class C shares of Sharp Corporation was resolved by the Board of Directors. Details are provided in Note 6(3).

G. Loans to related parties

(a) Receivables from related parties

	December 31, 2017	December 31, 2016
Associates	<u>\$ 1,257,094</u>	<u>\$ 1,587,592</u>

For the year ended December 31, 2016 and 2015, the Group recognised allowance for uncollectible accounts at \$1,169,056 and \$953,404, respectively, due to the unsuccessful operation and unstable financial status of Uer Technology Corporation. Please refer to Table 1 for details about collaterals.

(b) Interest income

	For the years ended December 31,	
	2017	2016
Associates	<u>\$ 8,883</u>	<u>\$ 32,638</u>

For the years ended December 31, 2017 and 2016, the interest was both charged at the rate of 1.70%~4.35%.

(2) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 703,779	\$ 791,577
Post-employment benefits	455	510
Share-based payments	58,919	186,175
	<u>\$ 763,153</u>	<u>\$ 978,262</u>

## PLEDGED ASSETS

As of December 31, 2017 and 2016, the book values of the Group's pledged assets are as follows:

Assets	Nature	December 31, 2017	December 31, 2016
Time deposits and cash (shown as "other current assets")	Customs deposits and short-term loans	\$ 202,688	\$ 700,223
Time deposits and cash (shown as "other non-current assets")	Security deposit for provisional attachment, bond deposit as security for court proceedings, security deposit for employment of foreign employees and customs deposits	108,033	92,224
Property, plant and equipment and other non-current assets	Long-term loans	5,868,738	5,800,597
		<u>\$ 6,179,459</u>	<u>\$ 6,593,044</u>

## SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

### COMMITMENTS

Except for Note 6(9), contingencies and commitments are as follows.

#### (1) Contingencies - Significant legal matters

On May 17, 2017, Qualcomm Incorporated sued the Group over the dispute regarding the royalty payment under the patent licensing agreement. The case is now in legal proceedings with the assistance of a lawyer and under the jurisdiction of the United States District Court for the Southern District of California. The final decision to this case is still uncertain as the legal proceedings still go on. So far there is no significant effect on the Group.

#### (2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2017	December 31, 2016
Property, plant and equipment	<u>\$ 3,226,595</u>	<u>\$ 7,513,607</u>

#### B. Operating lease commitments

The Company's subsidiary leases factory dormitory under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	\$ 1,437,320	\$ 615,747
Later than one year but not later than five years	2,686,860	2,518,852
Later than five years	1,850,384	1,692,699
	<u>\$ 5,974,564</u>	<u>\$ 4,827,298</u>

#### SIGNIFICANT DISASTER LOSS

None.

#### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. Futaihua Industrial (Shenzhen) Co., Ltd. and Hongfujin Precision Electronics (Zhengzhou) Co., Ltd., subsidiaries of the Company, collectively invested in the trust fund named Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust for a total of RMB 2,500,000 thousand during February and March, 2018. Details are provide in Note 6(9).
- B. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$745,399 and \$997,449, respectively, which will be adjusted in the first quarter of 2018.
- C. With respect to the initial public offering of RMB-denominated ordinary shares (Share A) by the Company's indirectly-invested subsidiary, Foxconn Industrial Internet Co., Ltd. and its application to be listed on Shanghai Stock Exchange, the proposals have been approved at the special shareholders' meeting on January 31, 2018. The IPO of Share A has been approved by China Securities Regulatory Commission on March 8, 2018.
- D. Foxconn Interconnect Technology Limited, a subsidiary of the Company, entered into the Merger Agreement with Belkin International, Inc. on March 27, 2018. The merger consideration is unlikely to be more than USD 866 million.

#### OTHERS

##### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to operate with the goal to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet less the total intangible assets.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio at 70% or below.

##### (2) Financial instruments

A. Fair value information of financial instruments

- (a) Except those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets measured at fair value through profit or loss, available-for-sale financial assets, notes and accounts receivable inclusive of related parties and other financial assets, short-term loans, financial liabilities measured at fair value through profit or loss, notes and accounts payable inclusive of related parties and current portion of the long-term liabilities) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

December 31, 2017				
	Book Value	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 206,591,488	\$ -	\$ 200,480,803	\$ -
Finance lease payable	1,766,630	-	1,570,215	-
	<u>\$ 208,358,118</u>	<u>\$ -</u>	<u>\$ 202,051,018</u>	<u>\$ -</u>
December 31, 2016				
	Book Value	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 213,920,590	\$ -	\$ 206,453,849	\$ -
Finance lease payable	1,873,085	-	1,513,924	-
	<u>\$ 215,793,675</u>	<u>\$ -</u>	<u>\$ 207,967,773</u>	<u>\$ -</u>

- (b) The methods and assumptions of fair value measurement are as follows:

Bonds payable: Regarding the bonds issued by the Group, the coupon rate approximates to the current market rate. Therefore, the fair value is estimated using the present value of the expected cash flows and market interest rate.

Finance lease payable: The fair value is estimated using the present value of the expected cash flows of market rates.

B. Financial risk management policies

- (a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

- (b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be controlled internally or removed from business processes.

Therefore, the goal in managing each of these risks is to reduce them to zero.

- ii. As for market risk, the goal is to optimize its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of a) long-term trends in the external economic/financial environment, b) internal operating conditions, and c) the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.
- iv. For the information on the derivative financial instruments that the Group enters into, please refer to Note 6(2).

(c) Management system:

- i. Risk management is executed by the Group's finance department by following policies approved by the Board. Through cooperation with the Group's operating units, finance department is responsible for identifying, evaluating and hedging financial risks.
- ii. The Board has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) Nature:

The Group is a multinational group in the Electronics manufacturing services industry. Most of the exchange rate risk from operating activities come from:

- a. Foreign exchange risk arises from different exchange rates to functional currency as the invoice dates of accounts receivable and payable denominated in non-functional foreign currency are different. Due to the characteristics of the subcontracting industry, the Company's revenue and expenditures are mostly denominated in foreign currency. Thus, the remaining net foreign exchange risk is not material after offsetting assets and liabilities. Furthermore, although the variations in currencies of the Company's certain foreign investments in emerging countries (i.e. Brazil, Mexico, etc.) are considered huge, the percentage of the investments is not significant and thus the Company's foreign exchange risk can be maintained in the controllable range. (Note: The Group has several sites in various countries and thus is exposed to various foreign exchange risks. The main risk arises from USD and RMB.)
- b. Except for the above transactions (operating activities) recognised in the income statement, assets and liabilities recognised in the balance sheet and the net

investment in foreign operations also result in the exchange rate risk.

(ii) Management:

- a. For such risks, the Group has set up policies requiring companies in the Group to manage its exchange rate risks.
- b. As to the exchange rate risk arising from the difference between various functional currencies and the reporting currency in the consolidated financial statements, it is managed by the Group's finance department.

(iii) The source:

- a. U.S. dollar and NT dollar:

Foreign exchange risk arises primarily from U.S. dollar-denominated cash, cash equivalents, accounts receivable and other receivables, other assets, loans, accounts payable and other payables and other liabilities, which results in exchange loss or gain when they are converted into New Taiwan dollars.

- b. U.S. dollar and RMB:

Foreign exchange risk arises primarily from U.S. dollar-denominated cash, cash equivalents, accounts receivable and other receivables, other assets, loans, accounts payable and other payables and other liabilities, which results in exchange loss or gain when they are converted into RMB.

- c. JPY and NT dollar:

Foreign exchange risk arises primarily from yen-denominated loans, accounts payable and other payables, which results in exchange loss or gain when they are converted into New Taiwan dollars.

- d. JPY and U.S. dollar:

Foreign exchange risk arises primarily from yen-denominated loans, accounts payable and other payables, which results in exchange loss or gain when they are converted into U.S. dollar.

(iv) Extent

The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
(Foreign currency: Functional currency)				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 22,375,047	29.76	\$ 665,881,399	1%	\$ 6,658,814
USD : RMB	16,186,419	6.5342	481,707,829	1%	4,817,078
JPY : USD	116,106,365	0.0089	30,675,302	1%	306,753
JPY : NTD	384,957,034	0.2642	101,705,648	1%	1,017,056
<u>Net effect in consolidated entities with foreign currency</u>					
USD : NTD	\$ 36,429,491	29.76	\$ 1,084,141,652		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 21,177,967	29.76	\$ 630,256,298	1%	\$ 6,302,563
USD : RMB	23,639,015	6.5342	703,497,086	1%	7,034,971
JPY : USD	60,027,828	0.0089	15,859,352	1%	158,594
JPY : NTD	4,851,844	0.2642	1,281,857	1%	12,819
December 31, 2016					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
(Foreign currency: Functional currency)				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 16,192,949	32.25	\$ 522,222,605	1%	\$ 5,222,226
USD : RMB	26,514,411	6.9492	855,089,755	1%	8,550,898
JPY : USD	103,864,074	0.0085	28,624,939	1%	286,249
RMB : NTD	7,210,161	4.6408	33,460,915	1%	334,609
<u>Net effect in consolidated entities with foreign currency</u>					
USD : NTD	\$ 31,688,835	32.25	\$ 1,021,964,929		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 12,106,122	32.25	\$ 390,422,435	1%	\$ 3,904,224
USD : RMB	29,092,185	6.9492	938,222,966	1%	9,382,230
JPY : USD	37,023,313	0.0085	10,203,625	1%	102,036
JPY : NTD	3,595,785	0.2756	990,998	1%	9,910

- (v) Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to \$8,017,861 and \$7,074,859, respectively.

ii. Equity securities

(i) Nature

The Group primarily invests in domestic and foreign publicly traded and unlisted equity instruments, which are accounted for as available-for-sale financial assets and financial assets carried at cost. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

(ii) Extent

If such equity instruments' price rise or fall by 1%, with all other factors held constant, the impact on equity due to available-for-sale equity instruments are \$708,684 and \$1,129,579 for the years ended December 31, 2017 and 2016, respectively.

iii. Futures

(i) Nature

The Group is exposed to commodity price risk because of future commodity price fluctuations.

(ii) Extent

The Group sets stop-loss amount to reduce its futures market risk whenever futures contracts are entered into. As a result, there is no significant futures market risk.

iv. Interest rate risk

The Group's interest rate risk arises from long-term loans or corporate bonds with floating rates. The Company's long-term corporate bonds with fixed interest rates do not have interest rate risk or fair value interest rate risk. Long-term loans or corporate bonds with floating rates expose the Group to cash flow interest rate risk, but most of the risks are offset by cash and cash equivalents with variable interest rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management.
- iii. Individual risk limits are set based on internal or external ratings in accordance with limits set by

the board of directors. The utilisation of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments. The counterparties are banks with good credit quality and financial institutions with investment grade or above and government agencies, so there is no significant compliance concerns and credit risk.

- iv. The aging analysis of notes receivable and accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 30 days	\$ 10,815,669	\$ 5,784,072
31 to 90 days	3,349,480	1,191,897
91 to 180 days	1,384,383	299,041
181 to 360 days	317,309	193,692
Over 360 days	347	77,310
	<u>\$ 15,867,188</u>	<u>\$ 7,546,012</u>

- v. Movements on the Group's provision for impairment of notes receivable and accounts receivable (including related parties) are as follows:

(i) As of December 31, 2017 and 2016, accounts receivable that had been impaired were \$4,559,395 and \$3,259,575, respectively.

(ii) Movement in allowance for individual provision for bad debts is as follows:

	<u>2017</u>	<u>2016</u>
At January 1	\$ 3,259,575	\$ 3,203,260
Provision for impairment	1,299,820	56,315
At December 31	<u>\$ 4,559,395</u>	<u>\$ 3,259,575</u>

- vi. The credit quality of accounts receivable (including related parties) that were neither past due nor impaired is in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Group 1	\$ 944,892,487	\$ 505,331,936
Group 2	99,515,918	64,813,806
Group 3	105,657,742	109,030,807
Group 4	64,561,122	44,335,314
	<u>\$ 1,214,627,269</u>	<u>\$ 723,511,863</u>

Group 1: Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit policies for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch's rating of BBB, Moody's rating of Baa, or rated as B or C in accordance with the Group's credit policies for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch's rating of BB + and below, or Moody's rating of Ba1

and below.

Group 4: Rated as other than A, B, or C in accordance with the Group's credit policies for those that have no external credit ratings.

- vii. The Group assessed the impairment loss arising from loans to related parties and recognised allowance for uncollectible accounts at \$1,709,698 and \$953,404 for the years ended December 31, 2017 and 2016, respectively. Please refer to Note 7(2) G for details about related credit risk and collaterals.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each operating entity of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2017</u>	<u>Less than 3 months</u>	<u>Between 3 to 6 months</u>	<u>Between 6 months to 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Short-term notes and bills payable	\$ 10,970,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,970,000
Short-term loans	374,249,494	30,123,188	14,462,464	-	-	-	418,835,146
Accounts payable (including related parties)	1,160,930,639	51,962,904	3,591,220	-	-	-	1,216,484,763
Other payables	244,245,103	11,451,023	-	-	-	-	255,696,126
Bonds payable	19,092,288	12,000,000	5,900,000	11,000,000	116,183,040	42,416,160	206,591,488
Long-term loans	68,828	119,893	7,641,829	456,092	15,428,050	4,126,787	27,841,479
Finance lease payable	27,131	24,815	47,771	107,913	293,875	1,265,125	1,766,630
	<u>\$ 1,809,583,483</u>	<u>\$ 105,681,823</u>	<u>\$ 31,643,284</u>	<u>\$ 11,564,005</u>	<u>\$ 131,904,965</u>	<u>\$ 47,808,072</u>	<u>\$ 2,138,185,632</u>
<u>December 31, 2016</u>							
Short-term notes and bills payable	\$ 13,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ 16,000,000
Short-term loans	153,109,071	4,316,378	14,046,694	-	-	-	171,472,143
Accounts payable (including related parties)	699,301,981	9,500,215	860,990	-	-	-	709,663,186
Other payables	187,055,873	26,075,779	5,286,205	-	-	-	218,417,857
Bonds payable	11,050,000	13,210,870	36,356,875	36,552,845	69,650,000	47,100,000	213,920,590
Long-term loans	71,762	845	72,606	16,270,213	4,700,803	3,958,777	25,075,006
Finance lease payable	21,062	22,314	45,094	97,721	324,237	1,362,657	1,873,085
	<u>\$ 1,063,609,749</u>	<u>\$ 56,126,401</u>	<u>\$ 56,668,464</u>	<u>\$ 52,920,779</u>	<u>\$ 74,675,040</u>	<u>\$ 52,421,434</u>	<u>\$ 1,356,421,867</u>

Derivative financial liabilities:

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
<u>December 31, 2017</u>							
Cross currency swap contracts	\$ 2,062,770	\$ 1,154,825	\$ -	\$ -	\$ -	\$ -	\$ 3,217,595
Forward exchange contracts	1,127,645	2,141,108	-	-	-	-	3,268,753
	<u>\$ 3,190,415</u>	<u>\$ 3,295,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,486,348</u>
<u>December 31, 2016</u>							
Cross currency swap contracts	\$ 851,353	\$ -	\$ 1,807	\$ -	\$ -	\$ -	\$ 853,160
Forward exchange contracts	10,697,039	3,547	2,154	-	-	-	10,702,740
	<u>\$ 11,548,392</u>	<u>\$ 3,547</u>	<u>\$ 3,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,555,900</u>

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(12).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Financial products	\$ -	\$ 4,528,019	\$ -	\$ 4,528,019
Beneficiary certificates	85,055	305,466	-	390,521
Cross currency swap contracts	-	2,172,861	-	2,172,861
Forward exchange contracts	-	234,411	-	234,411
Convertible bonds payable	-	2,662,112	-	2,662,112
Put option	-	62,218	-	62,218
Available-for-sale financial assets				
Equity securities	69,775,690	-	-	69,775,690
Foreign investment fund	-	1,092,732	-	1,092,732
	<u>\$ 69,860,745</u>	<u>\$ 11,057,819</u>	<u>\$ -</u>	<u>\$ 80,918,564</u>

December 31, 2017	Level 1	Level 2	Level 3	Total
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Cross currency swap contracts	\$ -	(\$ 3,217,595)	\$ -	(\$ 3,217,595)
Forward exchange contracts	-	( 3,268,753)	-	( 3,268,753)
	<u>\$ -</u>	<u>(\$ 6,486,348)</u>	<u>\$ -</u>	<u>(\$ 6,486,348)</u>
December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial products	\$ -	\$ 4,776,461	\$ -	\$ 4,776,461
Beneficiary certificates	84,749	395,850	-	480,599
Cross currency swap contracts	-	9,303,106	-	9,303,106
Forward exchange contracts	-	1,253,723	-	1,253,723
Convertible bonds payable	-	3,836,811	-	3,836,811
Available-for-sale financial assets				
Equity securities	42,240,522	66,522,635	-	108,763,157
Foreign investment fund	-	4,194,741	-	4,194,741
	<u>\$ 42,325,271</u>	<u>\$ 90,283,327</u>	<u>\$ -</u>	<u>\$ 132,608,598</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Cross currency swap contracts	\$ -	(\$ 853,160)	\$ -	(\$ 853,160)
Forward exchange contracts	-	( 10,702,740)	-	( 10,702,740)
	<u>\$ -</u>	<u>(\$ 11,555,900)</u>	<u>\$ -</u>	<u>(\$ 11,555,900)</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
  - (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
  - (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
  - (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

#### SUPPLEMENTARY DISCLOSURES

##### (4) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

##### (5) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(6) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The Company appointed Foxconn (Far East) Limited's Mainland investee to render processing services and to trade. The transactions were eliminated in the consolidated financial statements. For significant transactions of processing services, trading, receivables and payables, endorsements and guarantees or collaterals provided, and financing, please refer to Note 13(1) A, B, G and H.

SEGMENT INFORMATION

(7) General information

The Group has adopted eCMMS (E-enabled Components, Modules, Moves & Services) strategy, and provided a one-stop shop to its customers, which are primarily in the 3C industries, with a total solution for design, development, engineering, procurement, manufacturing, logistics and after-sales service. The Group segregates operating segments from both a customer service and product perspective.

In accordance with IFRS No. 8, "Operating Segments", the Group has determined the operating segments and reportable operating segments. Operating segments which have met certain quantitative threshold are disclosed individually or aggregately as reportable operating segments; other segments which have not met the quantitative threshold are included in the 'all other segments'. The Group has identified the electronic manufacturing integrated services department, which provides global 3C production-related one-stop services, as a reportable operating segment.

(8) Measurement of segment information

The chief operating decision maker assesses performance and allocates resources of the operating segments based on each operating segment's revenue and operating income after adjusting the internal costs and allocated expenses. Except for the recognition of internal costs which shall be in accordance with the Group's related internal calculation basis, the operating segments' accounting policies are the same as disclosed in Note 4.

(9) Segment information

The financial information of reportable segments provided to chief operating decision maker is as follows:

	For the years ended December 31,	
	2017	2016
	Electronic Manufacturing Integration Service	Electronic Manufacturing Integration Service
Net external revenue	\$ 4,295,814,315	\$ 4,120,149,050
Revenue from internal customers	367,374,016	332,858,454
Segment revenue	\$ 4,663,188,331	\$ 4,453,007,504
Segment profit	\$ 134,667,939	\$ 202,084,082

(10) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2017 and 2016 is provided as follows:

(11) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

For the years ended December 31,				
2017		2016		
	Revenue	Non-current assets	Revenue	Non-current assets
Ireland	\$ 1,435,970,286	\$ 775	\$ 1,452,187,758	\$ 102,744
U.S.A	1,347,560,929	2,411,274	1,372,076,285	1,239,165
China	429,424,390	251,564,555	318,865,614	243,797,012
Singapore	402,241,820	2,989,144	374,267,864	1,661,106
Japan	123,560,449	37,927	125,052,158	72,235
Taiwan	88,199,894	60,724,125	32,455,033	40,544,544
Others	879,778,328	48,962,564	683,828,645	65,345,341
	<u>\$ 4,706,736,096</u>	<u>\$ 366,690,364</u>	<u>\$ 4,358,733,357</u>	<u>\$ 352,762,147</u>

(12) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 is as follows:

For the years ended December 31,			
2017		2016	
	Revenue (in millions)		Revenue (in millions)
Client E	\$ 2,406,403	\$	2,362,827
Client B	329,263		300,169
Client C	291,056		340,755

## VII. Financial Analysis

### A. Comparative Analysis of Financial Position

Unit: NT\$000

Item \ Year	2017	2016	Difference		Ratio change analysis and explanation (Note 1)
			Amount	%	
Current assets	2,746,136,117	1,931,201,379	814,934,738	42.20	(Note 2)
Fund and Long-term equity investments	151,000,283	142,527,340	8,472,943	5.94	
Fixed assets	278,204,005	309,202,470	(30,998,465)	(10.03)	
Other assets	231,876,208	209,111,751	22,764,457	10.89	
Total assets	3,407,216,613	2,592,042,940	815,173,673	31.45	(Note 2)
Current liabilities	2,025,502,267	1,252,645,231	772,857,036	61.7	(Note 3)
Other liabilities	209,921,891	205,609,111	4,312,780	2.1	
Total liabilities	2,235,424,158	1,458,254,342	777,169,816	53.29	(Note 3)
Common stock	173,287,383	173,287,383	-		
Capital surplus	97,872,884	93,046,611	4,826,273	5.19	
Retained earnings	840,618,759	779,926,034	60,692,725	7.78	
Other Equity	-27,539,310	32,508,267	(60,047,577)	(184.71)	(Note 4)
Treasury Stock	-18,901	(18,901)	-	-	
Equity attributable to owners of the parent	1,084,220,815	1,078,749,394	5,471,421	0.51	
Non-controlling Equity	87,571,640	55,039,204	32,532,4366	59.11	(Note 5)
Total stockholders' equity	1,171,792,455	1,133,788,598	38,003,857	3.35	

Note:

1. Analysis and description will be given only if the increase/decrease in ratio reaches 20% or exceeds NT\$10mn.
2. Mainly caused by the concentration of sales toward the end of the quarter. As most payments have not been received, the net accounts receivable in this period increased.
3. 3: Mainly caused by increased loans due to capital demand. In addition, as inventories are concentrated at the end of the quarter, most of the payment have not been received, the net accounts receivable in this period increased.
4. Exchange rate fluctuations in this year generated a loss from exchange when converting USD to TWD and reduced other equities.
5. Mainly caused by the payment of employee stocks in subsidiary companies, not participating in subscription of shares in cash capital increase in subsidiary companies based on the shareholding ratio, and increased non-controlling interests in new joint venture subsidiaries

## B. Comparative Analysis of Financial Performance

Unit: NT\$000

Item \ Year	2017	2016	Amount changed	Change percentage (%)	Variance analysis
Revenues	4,706,736,096	4,358,733,357	348,002,739	7.98	-
Cost of revenues	(4,403,729,149)	(4,037,148,377)	(366,580,772)	9.08	-
Gross profit	303,006,947	321,584,980	(18,578,033)	(5.78)	-
Operating expenses	(190,436,516)	(146,645,479)	(43,791,037)	29.86	(Note1)
Operating income	112,570,431	174,939,501	(62,369,070)	(35.65)	(Note1)
Non-operating income	70,302,192	23,010,244	47,291,948	205.53	(Note2)
Income (loss) before income taxes	182,872,623	197,949,745	(15,077,122)	(7.62)	-
Income tax benefit (expense)	(47,498,095)	(46,592,581)	(905,514)	1.94	-
Net income (loss)	135,374,528	151,357,164	(15,982,636)	(10.56)	-
Other comprehensive income	(56,392,558)	(31,214,221)	(25,178,337)	80.66	(Note3)
Total comprehensive income	78,981,970	120,142,943	(41,160,973)	(34.26)	(Note3)

Note 1: The Company continues to invest in the research and development of new products and the advancement of new businesses such as industrial IoT.

Note 2: Mainly caused by the disposal of interest in special shares in SHARP CORPORATION.

Note 3: Mainly caused by the disposal of special shares in SHARP CORPORATION that was reclassified as current-period profit and loss..

## C. Cash Flow Analysis

### (1) Liquidity Analysis of Recent 2 Years

Item \ Year	2017	2016	Ratio Change (%)
Cash flow ratio (%)	(1.94%)	13.89%	(114%)
Cash Flow Adequacy Ratio (%)	73.19%	120.97%	(40%)
Cash reinvestment ratio (%)	(6.9%)	6.70%	(203%)
Variance Analysis (No analysis is required in case the variance is less than 20%.) Mainly caused by the increase in accounts receivable and increase in inventory in this period which reduced the net cash flow in business activities in this period.			

## (2) Cash Flow Forecast for the Coming Year

Unit: NT\$000

Cash beginning balance (1)	Cash flow from operating activities (2)	Cash flow in/(out) (3)	Cash ending balance/(shortage) (1)+(2)-(3)	Plan for cash ending balance shortage	
				Investment activities	Financing activities
103,472,358	1,873,836,802	1,912,976,007	64,333,153	-	-
Cash flow variance analysis for year 2018: 1. Operating activities: The Company expects revenue and profit to continue to grow. 2. Investment activities: The Company expects expansion of production facilities to meet business demand. 3. Financing activities: The Company expects to distribute cash dividends, borrow short-term loans and issue unsecured bonds.					

## **VIII. Special Notes**

### **A. Affiliates Information**

Hon Hai Precision Industry Co., Ltd.

#### **Affiliates Consolidated Financial Statement Announcements**

For the fiscal year of 2017, the companies which should be included in the consolidated financial statements of the Company pursuant to the Affiliates Consolidated Business Reports and Consolidated Financial Statements Preparation of Affiliation Reports are the same as those should be included pursuant to the Statement of Financial Accounting Standards No. 27, and also the affiliates consolidated financial statements should be disclosed information on supra parent company have already been disclosed in the consolidated financial statements of the Company. Therefore the Company will not prepare a separate affiliates consolidated financial statements.

Hereby declare

Company Name: Hon Hai Precision Industry Co., Ltd.

Chairman: Gou, Tai-Ming (Terry Gou)

On the Date of: March 30, 2018

**B. The most recent fiscal year and up to the date of this Annual Report printed, Private Placement Securities**

None.

**C. The most recent fiscal year and up to the date of this Annual Report printed, subsidiary companies holding or disposal of the Company's stock list**

Name of subsidiaries	Paid-in capital	Source of funds	The Company's ownership	The date of the acquisition or disposal	Number of shares or amount	Number of shares or amount of disposal	Investment gains and losses	Shares as of the date of this Annual Report printed	Set pledge	Endorsement amount of the Company	Loan amount of the Company
Hon Jin International Investment Co., Ltd.	20,000,000 NT dollars	Own funds	100%	As of the date of this Annual Report printed	--	--	--	1,853,848 shares 18,901,000 NT dollars	--	--	--

**D. Other supplementary information**

None.

**IX. Matters Affecting Shareholders' Equity or Stock Price**

Matters according to the Article 36.3.2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this Annual Report which have significant impact to Shareholders' Equity or stock price: None.

**Hon Hai Precision Industry Co., Ltd.**  
**Chairman: Gou, Tai-Ming (Terry Gou)**