

**FOXCONN TECHNOLOGY CO., LTD. AND
SUBSIDIARIES**

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

DECEMBER 31, 2016 AND 2015

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 Foxconn Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Foxconn Technology Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 current period. 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.

Cutoff of sales revenue from distribution warehouse

Description

Please refer to Note 4(26) for accounting policies on revenue recognition.

The Group recognises sales revenue when goods are drop-shipped from factories directly and upon acceptance of customers (the transfer of significant risks and rewards of ownership of the goods) if goods are shipped from the distribution warehouse. For shipments from distribution warehouse, the Group recognises sales revenue based on movements of inventories indicated in the statements or other information provided by the warehouse custodians. The Group has warehouses in various locations with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition contains numerous manual procedures, which may potentially result in inaccurate timing of sales revenue recognition and discrepancy between physical inventory quantities in the distribution warehouse and quantities as reflected in accounting records. As there are numerous daily sales transactions from distribution warehouse and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, cutoff of sales revenue from distribution warehouse 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 internal controls over periodic reconciliations to ascertain the consistency between shipment and timing of revenue recognition with customers.
- B. Performed cut-off testing for shipments that occurred within a specific time frame prior to and after the balance sheet date, including validating supporting documents from warehouse custodians and ensuring the appropriateness of timing for recording inventory movements.
- C. Confirmed or conducted physical count of inventory quantities held by distribution warehouses and agreed to accounting record, assessed the reasonableness of reconciling items identified through confirmation or physical inventory, if any, and inspected respective supporting documents and rationale.

Provision for inventory valuation losses

Description

Please 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, 2016, the Group's inventories and provision for inventory valuation losses amounted to NT\$3,659,044 thousand and NT\$229,947 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of 3C electronic products. Due to rapid technological innovations, short life cycles of electronic products and the fluctuation of market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value and inventory valuation losses are provided against inventory aged over a certain period of time and individually identified as obsolete or damaged, whose net realisable value is determined based on historical data of inventory clearance and range of discount.

As the amounts of inventory are material, types of inventories vary, the identification of obsolete or damaged inventories and determination of net realisable value are subject to management and audit judgment, we consider the provision for inventory valuation losses 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. Ensured consistent application of policies relating to provision for inventory valuation losses and in compliance with respective accounting guidance.
- B. Validated the appropriateness of system logic of inventory aging report utilised by management in assessing inventory valuation losses and sampled and tested transactions for proper categorisation in inventory aging report.
- C. Discussed with management and obtained corroboration for the net realisable value of obsolete and damaged inventories to assess the reasonableness of allowance for inventory valuation losses.

Financial assets and financial liabilities offsetting agreement with financial institutions

Description

Please refer to Note 4(22) for accounting policies on offsetting of financial instruments, Note 5(1)B for significant judgement on applying accounting policies on offsetting of financial instruments, and Note 6(12) for details of offsetting of financial instruments. As of December 31, 2016, the total amount of offset financial instruments was NT\$2,079,191 thousand.

The Group has entered into a financial assets and financial liabilities offsetting agreement, based on management's judgement, which is in compliance with IAS 32, 'Financial instruments: Presentation', that 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 fulfills the criteria for offsetting prescribed in IAS 32, 'Financial instruments: Presentation' is subject to management judgment, and the Group entered into various individually significant financial assets and financial liabilities offsetting agreements, which would have a material effect on the financial statements should the financial assets and financial liabilities be presented separately, we consider the 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 entered into with financial institutions, including assessing whether the Group fulfills the criteria under IAS 32, 'Financial instruments: Presentation', on accounting procedures and on segregation of duties.
- B. Reviewed the above agreements and confirmed compliance with the criteria under IAS 32, 'Financial instruments: Presentation' as well as the accuracy of amounts that were offset.
- C. Confirmed the existence and the rights and obligations of financial assets and financial liabilities offsetting agreements with respective financial institutions.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Foxconn Technology Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

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.

Auditor’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 Hsu, Sheng-Chung
for and on behalf of PricewaterhouseCoopers, Taiwan
March 29, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 49,024,765	33	\$ 53,937,451	44
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		1,984,968	2	538,623	-
1170	Accounts receivable, net	6(4)	9,139,763	6	5,896,142	5
1180	Accounts receivable - related parties	7				
			13,492,173	9	19,980,137	16
1200	Other receivables	6(5) and 7	3,362,762	2	1,048,131	1
130X	Inventory	6(6)	3,429,097	2	4,083,975	3
1470	Other current assets	6(7)	19,174,154	13	17,031,654	14
11XX	Total current assets		99,607,682	67	102,516,113	83
Non-current assets						
1523	Available-for-sale financial assets	6(3)				
	- non-current		35,879,251	24	4,389,727	4
1550	Investments accounted for under equity method	6(8)				
			797,032	1	1,482,338	1
1600	Property, plant and equipment	6(9) and 7	9,150,769	6	12,023,059	10
1760	Investment property - net	6(10)	754,225	-	142,423	-
1840	Deferred income tax assets	6(27)	778,407	1	1,396,954	1
1900	Other non-current assets	6(11)	1,284,911	1	1,434,271	1
15XX	Total non-current assets		48,644,595	33	20,868,772	17
1XXX	Total assets		\$ 148,252,277	100	\$ 123,384,885	100

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term loans	6(12)	\$ 7,818,924	6	\$ 212,387	-
2120	Financial liabilities at fair value	6(2)				
	through profit or loss - current		1,503,327	1	29,264	-
2170	Accounts payable		6,840,531	5	4,317,588	4
2180	Accounts payable - related parties	7	11,899,218	8	11,586,305	9
2200	Other payables	6(13) and 7	10,776,793	7	14,841,798	12
2230	Current income tax liabilities	6(27)	1,831,524	1	633,545	1
2300	Other current liabilities		130,654	-	85,774	-
21XX	Total current liabilities		40,800,971	28	31,706,661	26
Non-current liabilities						
2570	Deferred income tax liabilities	6(27)	573,888	-	568,347	-
2600	Other non-current liabilities	6(15)	131,141	-	136,519	-
25XX	Total non-current liabilities		705,029	-	704,866	-
2XXX	Total liabilities		41,506,000	28	32,411,527	26
Equity attributable to owners of parent						
Share capital		6(16)				
3110	Share capital - common stock		14,144,852	10	13,950,240	11
Capital surplus		6(17)				
3200	Capital surplus		7,793,643	5	7,470,233	6
Retained earnings		6(18)				
3310	Legal reserve		9,034,837	6	7,815,013	7
3350	Undistributed earnings		60,007,688	40	54,833,215	45
Other equity interest		6(19)				
3400	Other equity interest		15,691,346	11	6,822,954	5
31XX	Equity attributable to owners of the parent		106,672,366	72	90,891,655	74
36XX	Non-controlling interest	6(20)	73,911	-	81,703	-
3XXX	Total equity		106,746,277	72	90,973,358	74
Commitments and Contingent Liabilities		9				
Subsequent Events		11				
3X2X	Total liabilities and equity		\$ 148,252,277	100	\$ 123,384,885	100

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	Year ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 7	\$ 80,110,459	100	\$ 99,425,613	100
5000 Operating costs	6(6)(24) and 7	(65,507,435)	(82)	(83,106,762)	(84)
5900 Net operating margin		14,603,024	18	16,318,851	16
Operating expenses	6(24) and 7				
6100 Selling expenses		(546,625)	(1)	(728,801)	(1)
6200 General and administrative expenses		(1,756,585)	(2)	(2,134,749)	(2)
6300 Research and development expenses		(975,610)	(1)	(1,290,255)	(1)
6000 Total operating expenses		(3,278,820)	(4)	(4,153,805)	(4)
6900 Operating profit		11,324,204	14	12,165,046	12
Non-operating income and expenses					
7010 Other income	6(22)	1,605,094	2	1,852,586	2
7020 Other gains and losses	6(23)	1,212,047	1	384,587	1
7050 Finance costs	6(26)	(58,832)	-	(141,121)	-
7060 Share of (loss) profit of associates and joint ventures accounted for using equity method	6(8)	(368,259)	-	300,666	-
7000 Total non-operating income and expenses		2,390,050	3	2,396,718	3
7900 Profit before income tax		13,714,254	17	14,561,764	15
7950 Income tax expense	6(27)	(2,994,281)	(4)	(2,379,347)	(3)
8200 Profit for the year		\$ 10,719,973	13	\$ 12,182,417	12
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurements of defined benefit plan		(\$ 2,694)	-	\$ 77	-
8349 Income tax related to components of other comprehensive income		457	-	(13)	-
8310 Total components of other comprehensive (loss) income that will not be reclassified to profit or loss		(2,237)	-	64	-
Components of other comprehensive income that will be reclassified to profit or loss	6(19)(20)				
8361 Financial statements translation differences of foreign operations		(4,931,134)	(6)	1,234,643	1
8362 Unrealised gain (loss) on valuation of available-for-sale financial assets		13,792,869	17	(1,537,832)	(1)
8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss		8,861,735	11	(303,189)	-
8500 Total comprehensive income for the year		\$ 19,579,471	24	\$ 11,879,292	12
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 10,721,108	13	\$ 12,198,244	12
8620 Non-controlling interest		(1,135)	-	(15,827)	-
		\$ 10,719,973	13	\$ 12,182,417	12
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 19,587,263	24	\$ 11,896,028	12
8720 Non-controlling interest		(7,792)	-	(16,736)	-
		\$ 19,579,471	24	\$ 11,879,292	12
Earnings per share (in dollars)	6(28)				
9750 Basic earnings per share		\$ 7.59		\$ 8.67	
9850 Diluted earnings per share		\$ 7.54		\$ 8.59	

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent

	Notes	Share capital - common stock	Capital reserve	Retained Earnings		Other Equity Interest		Total	Non- controlling interests	Total
				Legal reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) on valuation of available-for- sale financial assets			
<u>2015</u>										
Balance at January 1, 2015		\$ 13,767,258	\$ 7,035,542	\$ 6,874,777	\$ 47,154,631	\$ 5,269,042	\$ 1,856,192	\$ 81,957,442	\$ 98,439	\$ 82,055,881
Appropriations of 2014 earnings:	6(18)									
Legal reserve		-	-	940,236	(940,236)	-	-	-	-	-
Cash dividends		-	-	-	(3,441,815)	-	-	(3,441,815)	-	(3,441,815)
Stock dividends		137,673	-	-	(137,673)	-	-	-	-	-
Empolyees' stock bouns		45,309	434,691	-	-	-	-	480,000	-	480,000
Consolidated net income		-	-	-	12,198,244	-	-	12,198,244	(15,827)	12,182,417
Other comprehensive income (loss), net of income tax	6(19)	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>1,235,552</u>	<u>(1,537,832)</u>	<u>(302,216)</u>	<u>(909)</u>	<u>(303,125)</u>
Balance at December 31, 2015		<u>\$ 13,950,240</u>	<u>\$ 7,470,233</u>	<u>\$ 7,815,013</u>	<u>\$ 54,833,215</u>	<u>\$ 6,504,594</u>	<u>\$ 318,360</u>	<u>\$ 90,891,655</u>	<u>\$ 81,703</u>	<u>\$ 90,973,358</u>
<u>2016</u>										
Balance at January 1, 2016		\$ 13,950,240	\$ 7,470,233	\$ 7,815,013	\$ 54,833,215	\$ 6,504,594	\$ 318,360	\$ 90,891,655	\$ 81,703	\$ 90,973,358
Appropriations of 2015 earnings:	6(18)									
Legal reserve		-	-	1,219,824	(1,219,824)	-	-	-	-	-
Cash dividends		-	-	-	(4,185,072)	-	-	(4,185,072)	-	(4,185,072)
Stock dividends		139,502	-	-	(139,502)	-	-	-	-	-
Employees' stock bonus		55,110	329,558	-	-	-	-	384,668	-	384,668
Consolidated net income		-	-	-	10,721,108	-	-	10,721,108	(1,135)	10,719,973
Other comprehensive income (loss), net of income tax	6(19)	-	-	-	(2,237)	(4,924,477)	13,792,869	8,866,155	(6,657)	8,859,498
Changes in equity of associates and joint ventures accounted for under equity method		<u>-</u>	<u>(6,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,148)</u>	<u>-</u>	<u>(6,148)</u>
Balance at December 31, 2016		<u>\$ 14,144,852</u>	<u>\$ 7,793,643</u>	<u>\$ 9,034,837</u>	<u>\$ 60,007,688</u>	<u>\$ 1,580,117</u>	<u>\$ 14,111,229</u>	<u>\$ 106,672,366</u>	<u>\$ 73,911</u>	<u>\$ 106,746,277</u>

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 13,714,254	\$ 14,561,764
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation (including investment property)	6(24)	2,738,198	3,312,052
Amortization	6(24)	61,555	28,850
Unrealized loss (gain) on financial assets or liabilities at fair value through profit or loss, net	6(2)	27,718	(200,533)
Loss on disposal of investments	6(3)(8)	103,772	-
Loss (gain) on disposal of property, plant, equipment and other assets, net	6(23)	34,730	(124,813)
Interest expense	6(26)	58,832	141,121
Interest income	6(22)	(984,638)	(1,218,009)
Dividend income	6(22)	(98,624)	(332,267)
Share of loss (profit) of associates and joint ventures accounted for under equity method	6(8)	368,259	(300,666)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable, net		(3,342,685)	7,702,250
Accounts receivable due from related parties		4,732,631	1,023,641
Other receivables		(375,776)	(106,358)
Inventories		443,750	(179,102)
Other current assets		83,440	316,185
Net changes in liabilities relating to operating activities			
Accounts payable		2,821,178	(776,827)
Accounts payable to related parties		752,384	(892,922)
Other payables		(5,004,209)	(35,303)
Other current liabilities		53,374	(129,099)
Other non-current liabilities		11,309	294
Cash inflow generated from operations		16,199,452	22,790,258
Income tax paid		(1,689,060)	(2,644,162)
Net cash flows from operating activities		<u>14,510,392</u>	<u>20,146,096</u>

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets	6(3)	(\$ 17,495,657)	(\$ 1,045,335)
Proceeds from disposal of investments accounted for under equity method		126,521	-
Proceeds from disposal of available-for-sale financial assets		296,789	-
Proceeds from capital reduction of investments accounted for under equity method	6(8)	189,293	-
Acquisition of investments accounted for under equity method	6(8)	(100,000)	(422,333)
(Increase) decrease in other financial assets		(3,245,378)	14,657,884
Acquisition of property, plant and equipment	6(29)	(1,418,830)	(1,046,372)
Proceeds from disposal of property, plant, equipment and other assets	6(29)	38,859	510,286
Decrease (increase) in other non-current assets		2,353	(655,229)
Increase in deferred expenses		(4,619)	(59,677)
(Increase) decrease in net receivable/ payable on raw materials purchased on behalf of others		(310,264)	77,215
Interest received		1,020,106	1,240,574
Dividends received		98,624	332,267
Net cash flows (used in) from investing activities		<u>(20,802,203)</u>	<u>13,589,280</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(71,007)	(179,091)
Increase (decrease) in short-term loans		8,144,483	(12,048,375)
Cash dividends paid	6(18)	(4,185,072)	(3,441,815)
Net cash flows from (used in) financing activities		<u>3,888,404</u>	<u>(15,669,281)</u>
Net effect of changes in foreign currency exchange rates		(2,509,279)	618,236
Net (decrease) increase in cash and cash equivalents		(4,912,686)	18,684,331
Cash and cash equivalents at beginning of year		53,937,451	35,253,120
Cash and cash equivalents at end of year		<u>\$ 49,024,765</u>	<u>\$ 53,937,451</u>

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

The Company was originally known as Q-RUN Technology Co., Ltd. and established on April 26, 1990. On March 1, 2004, the Company merged with Foxconn Precision Components Co., Ltd. and was renamed Foxconn Technology Co., Ltd.. The Company and its subsidiaries (collectively referred herein as “the Group”) are primarily engaged in manufacturing, processing and sales of case, heat dissipation modules and consumer electronics products.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 29, 2017.

3. 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”)

None.

(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 as endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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Improvements to IFRSs 2011-2013

July 1, 2014

Improvements to IFRSs 2012-2014

January 1, 2016

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

(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 effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

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 amortised 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 recognise 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.

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

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. 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.

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(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" and the 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, the 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.
- B. The preparation of financial statements in conformity with 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 unrealised 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 (%)		
			December 31,		Note
			2016	2015	
Foxconn Technology Co., Ltd.	Foxconn Precision Components Holding Co., Ltd.	Investment holdings in companies in Mainland China, Hong Kong and America primarily engaged in manufacturing, sale, research and development of computer thermal module and computer components	100	100	
Foxconn Technology Co., Ltd.	Q-RUN Holdings Ltd.	Investment holdings in companies in Mainland China, Hong Kong, Singapore and America primarily engaged in manufacturing, sale, research and development of aluminum magnesium case and computer components	100	100	
Foxconn Technology Co., Ltd.	Huazhun Investment Co., Ltd.	Investment holdings in R.O.C. companies	100	100	
Foxconn Precision Components Holding Co., Ltd.	Atkinson Holdings Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Holdings Ltd.	Q-RUN Far East Corporation	Investment holding and reinvestment	100	100	
Q-RUN Holdings Ltd.	World Trade Trading Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Holdings Ltd.	High Tempo International Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Holdings Ltd.	FTC Technology Inc.	Investment holding and reinvestment	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		
			December 31,		Note
			2016	2015	
Q-RUN Holdings Ltd.	Foxconn Technology Pte. Ltd.	Sales, investment holdings and reinvestment	100	100	
Atkinson Holdings Ltd.	Kenny International Ltd.	Investment holding and reinvestment	100	100	
Atkinson Holdings Ltd.	Double Wealth Profits Ltd.	Investment holding and reinvestment	100	100	
Atkinson Holdings Ltd.	Precious Star International Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Far East Corporation	Eastern Star Limited	Investment holding and reinvestment	100	100	
Q-RUN Far East Corporation	Foreign Technology Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Far East Corporation	Topfry Industrial Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Far East Corporation	Gold Glory International Ltd.	Investment holding and reinvestment	100	100	
Q-RUN Far East Corporation	New Glory Holdings Ltd.	Investment holding and reinvestment	100	100	
Foxconn Technology Pte. Ltd.	FTP Technology Inc.	Investment holding and reinvestment	100	100	
Kenny International Ltd.	Fu Rui Precision Components (Kunshan) Co., Ltd.	Electrical board components processing; manufacturing and marketing of optoelectronics and computer cables	100	100	
Double Wealth Profits Ltd.	Fuzhun Precision Industry Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	100	100	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Fuyu Technology (Nanyang) Co., Ltd.	Production of LED lamps and LED display; engagement in smart light pole and other products in relation to LED	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Note
			2016	2015	
Eastern Star Limited	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Manufacturing and marketing of computer components and peripherals and computer cases	87.63	87.63	
Eastern Star Limited	Fuzhun Precision (Hebi) Electronics Co., Ltd.	New alloy material, precision molds, new electronic components, portable computers and their components	100	100	
Precious Star International Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Manufacturing and marketing of computer components and related peripherals, computer cases and metal stamping	12.37	12.37	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Qingdao Hiyn Materials Co., Ltd.	Research, development, production and sales of aluminum alloy materials, rail vehicle components, car accessories and electronic components; manufacturing and sales of structured metal products and metal container (not including precious metal and	70	70	
Topfry Industrial Ltd.	Fuhuigang Industrial (Shenzhen) Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	
Gold Glory International Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	Manufacturing and marketing of power plug and wall socket, micro ribbon connectors for terminals, etc.	100	100	
New Glory Holdings Limited	YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	
New Glory Holdings Limited	Nanning Funing Precision Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	100	100	

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: None.

(4) Foreign currency translation

The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. 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 recognized 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 recognized 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 recognized 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 recognized 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'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements 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 recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, 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 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, if 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 pay off 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 paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off 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 and bonds sold under repurchase agreement that meet the above criteria and are held for the purpose of meeting short-term cash commitments 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. 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized 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 recognized 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 recognized and derecognised using trade date accounting.

- C. Available-for-sale financial assets are initially recognized 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 recognized 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) Accounts receivable

They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized 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.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a 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 financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of 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 bankruptcy 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 through the use of an impairment allowance account.

(b) 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'. 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 through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized 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 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 recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 are not recognized in 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 recognized 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 recognized 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 recognized 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. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant, and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are evaluated, and adjusted

if appropriate, at each balance sheet date. 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 buildings, machinery and equipment and other equipment are 3~55 years, 1~10 years and 1~10 years, respectively.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 8 ~ 55 years.

(17) Impairment of non-financial assets

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 recognized 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. When the circumstances or reasons for recognizing impairment loss for an asset in prior years 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 amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

- A. Borrowings are recognized 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 recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(19) 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 recognized 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.

(20) 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. 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.
- B. Financial liabilities at fair value through profit or loss are initially recognized 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 recognized in profit or loss.

(21) Derecognition of financial liabilities

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

(22) 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 recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) 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 recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized 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, together with adjustments for unrecognized past service costs. 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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.

iii. Past service costs are recognised immediately in profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, 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 employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, 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 or taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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 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 recognized 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, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized 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.

(25) 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.

(26) 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 or value-added 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 recognized 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.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

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.

(28) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements 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. Where the Group acts as a principal, the amount received or receivable from customer is recognized as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognized representing commission earned.

The Group provides integrated electronics manufacturing services to meet the following criteria by 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 has the latitude in establishing prices for the goods or services, either directly or indirectly.
- (d) The Group bears credit risk of customers.

B. Offsetting financial instruments

The determination of whether the Group'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 recognized 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

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 judgements 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 material changes to the evaluation.

As of December 31, 2016, the carrying amount of inventories was \$3,429,097.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and revolving funds	\$ 371	\$ 657
Checking accounts and demand deposits	38,046,767	23,185,718
Cash equivalents		
Time deposits	10,916,627	30,751,076
Bonds sold under repurchase agreement	61,000	-
	<u>\$ 49,024,765</u>	<u>\$ 53,937,451</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others. Time deposits with maturity in excess of three months have been listed under 'other current assets'.

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

<u>Assets</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Cross currency swap contracts	\$ 1,737,730	\$ -
Foreign exchange contracts	247,238	538,623
	<u>\$ 1,984,968</u>	<u>\$ 538,623</u>
<u>Liabilities</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Forward exchange contracts	\$ 1,503,327	\$ -
Foreign exchange contracts	-	29,264
	<u>\$ 1,503,327</u>	<u>\$ 29,264</u>

A. The Group recognized net profit of \$188,395 and \$296,202 on financial assets designated as at fair value through profit or loss for the years ended December 31, 2016 and 2015, respectively (including unrealised (loss) gain on valuation of (\$27,718) and \$200,533, respectively.)

B. The counterparties of the Group's investments in derivatives are banks with good credit quality or financial institutions with investment grade or above, and their credit ratings are all above A category.

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

	December 31, 2016		
	Contract amount		
Derivative instruments	(Nominal principal in thousands)		Contract period
Current items:			
Cross currency swap contracts	USD (SELL)	538,000	2016/06~2017/06
	JPY (BUY)	56,960,400	
Foreign exchange contracts	TWD (SELL)	4,712,508	2016/09~2017/09
	USD (BUY)	152,000	
	TWD (SELL)	6,238,422	2016/10~2017/10
	USD (BUY)	198,689	
	TWD (SELL)	547,708	2016/11~2017/10
	USD (BUY)	17,438	
Forward exchange contracts	USD (SELL)	21,929	2016/11~2017/01
	CNH (BUY)	150,667	
	USD (SELL)	9,477	2016/12~2017/01
	CNH (BUY)	65,906	
	USD (SELL)	532,400	2016/11~2017/06
	JPY (BUY)	56,346,292	
	December 31, 2015		
	Contract amount		
Derivative instruments	(Nominal principal in thousands)		Contract period
Current items:			
Foreign exchange contracts	TWD (SELL)	455,622	2015/07~2016/04
	USD (BUY)	14,984	
	TWD (SELL)	5,588,781	2015/09~2016/04
	USD (BUY)	183,705	
	TWD (SELL)	348,925	2015/09~2016/05
	USD (BUY)	11,438	
	USD (SELL)	20,000	2015/07~2016/01
	RMB (BUY)	125,968	

(a) Cross currency swap contracts

The Company signed cross currency swap contracts aiming to satisfy capital requirement. In terms of exchange rate swaps, the principal in two currencies are exchanged at the beginning and the end of period to reduce exchange rate risk. In terms of rate swaps, the fixed interest rates of two currencies are exchanged to reduce interest rate risk.

(b) Forward exchange contracts

The Company signed forward exchange contracts to hedge exchange rate risks arising from the activities listed below:

- i. Business activity: The payables due from exporting materials and supplies as well as receivables from exports.
- ii. Investment activity: The payment due from importing machinery and equipment.
- iii. Financial activity: Assets and liabilities (financing) resulted from long-term or short-term borrowings.

(c) Foreign exchange contracts

The Company entered into foreign exchange contracts to satisfy capital requirement. The principal in two currencies are swapped using the same exchange rate at the beginning and the end of the period to reduce exchange rate risk.

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, 2016	December 31, 2015
Non-current items:		
Listed and emerging stocks	\$ 21,445,522	\$ 3,743,067
Foreign investment funds	322,500	328,300
Adjustment of available-for-sale financial assets	14,111,229	318,360
	<u>\$ 35,879,251</u>	<u>\$ 4,389,727</u>

A. Q-RUN Holdings Limited, a subsidiary of the Company, has disposed 7,737, 6,097 and 2,426 thousand shares of China Harmony New Energy Auto Holding Limited (formerly China Harmony Auto Holding Limited) to non-related parties, amounting to US\$4,211 thousand, US\$3,367 thousand and US\$1,573 thousand in July, June and April, 2016, respectively. The loss on disposal of China Harmony New Energy Auto Holding Limited was \$24,572 (US\$762 thousand) shown as “other gains and losses”.

B. On April 2, 2016, the subsidiary, Foxconn Technology Pte. Ltd., signed an investment agreement with the Japanese listed company, Sharp Corporation, to purchase 646,400,000 newly issued ordinary shares of Sharp Corporation for ¥88 per share, amounting to 12.97% of equity. The total price of acquisition was \$17,495,657 (¥56,883,200 thousand). On August 12, 2016, the transaction for the abovementioned investment was completed.

C. For fair value change recognised in other comprehensive income for the years ended December 31, 2016 and 2015, please refer to Note 6(19) for details.

D. The Group has no available-for-sale financial assets pledged to others.

(4) Accounts receivable

	December 31, 2016	December 31, 2015
Notes receivable	\$ 4,686	\$ 32,985
Accounts receivable	9,206,431	5,927,815
Less: Allowance for sales discounts	(71,354)	(64,658)
	<u>\$ 9,139,763</u>	<u>\$ 5,896,142</u>

The Group does not hold any collateral as security.

(5) Other receivables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivable from purchases made on behalf of others	\$ 2,792,119	\$ 687,918
Receivable from disposal of equipment	86,669	3,790
Interest receivable	29,065	75,266
Others	<u>454,909</u>	<u>281,157</u>
	<u>\$ 3,362,762</u>	<u>\$ 1,048,131</u>

‘Others’ refer to payments such as water and electricity fee and power expense made on behalf of related parties.

(6) Inventories

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Raw materials	\$ 514,117	\$ 1,450,919
Work in process	464,058	1,243,353
Finished goods	<u>2,680,869</u>	<u>2,257,668</u>
	3,659,044	4,951,940
Less: Allowance for inventory obsolescence and market price decline	(229,947)	(867,965)
	<u>\$ 3,429,097</u>	<u>\$ 4,083,975</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cost of inventories sold	\$ 66,315,813	\$ 82,683,285
(Gain from price recovery) loss on inventory obsolescence and market price decline	(595,345)	583,222
Revenue from sale of scraps	(213,033)	(159,745)
	<u>\$ 65,507,435</u>	<u>\$ 83,106,762</u>

As the Group sold some inventory with net realizable value lower than its cost, the allowance for inventory obsolescence and market price decline was reversed for the year ended December 31, 2016.

(7) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Capital guarantee financial products	\$ 13,852,788	\$ 3,545,684
Time deposits with maturity over three months	5,176,581	13,215,578
Overpaid sales tax	79,830	217,433
Prepaid expenses	42,022	30,104
Others	<u>22,933</u>	<u>22,855</u>
	<u>\$ 19,174,154</u>	<u>\$ 17,031,654</u>

The Group has signed a contract for capital guarantee financial products with the bank for the years ended December 31, 2016 and 2015, and the rate of return is between 3%~ 3.4% and 1.7%~ 4%, respectively.

(8) Investments accounted for under equity method

<u>Investee companies</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
FSK Holdings Limited	\$ 453,782	\$ 988,743
Syntrend Creative Park Co., Ltd.	330,715	271,140
Wheego Electric Cars, Inc.	-	205,937
Foxstar Technology Co., Ltd.	12,535	16,518
	<u>\$ 797,032</u>	<u>\$ 1,482,338</u>

- A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$797,032 and \$1,482,338, respectively.

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net (loss) profit (Total comprehensive (loss) income)	(\$ 2,279,521)	\$ 1,555,866

- B. In September 2016, the Group increased investment for cash of \$100,000 in Syntrend Creative Park Co. Ltd.
- C. In February 2016, FSK Holdings Limited conducted capital reduction by returning \$189,293 (US\$5,712 thousand) of share capital.
- D. The Group invested in FSK Holdings Limited for cash of \$422,333 in April 2015. The Group has significant influence over the investee.
- E. Wheego Electric Cars, Inc. repurchased the shares, equivalent to 11.65% equity interest, which the Group holds in March, 2016. Repurchase price was US\$3,818 thousand and loss on disposal of investment was \$79,200 (US\$2,455 thousand) (shown as "other gains and losses").
- F. The Group's share of (loss) profit or loss on investment accounted for under equity method was (\$368,259) and \$300,666 for the years ended December 31, 2016 and 2015, respectively.

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(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2016</u>						
Cost	\$ 51,850	\$ 9,959,433	\$ 27,084,588	\$ 4,599,402	\$ 656,059	\$ 42,351,332
Accumulated depreciation	-	(5,368,215)	(20,947,666)	(4,012,392)	-	(30,328,273)
	<u>\$ 51,850</u>	<u>\$ 4,591,218</u>	<u>\$ 6,136,922</u>	<u>\$ 587,010</u>	<u>\$ 656,059</u>	<u>\$ 12,023,059</u>
<u>2016</u>						
Opening net book amount as at January 1	\$ 51,850	\$ 4,591,218	\$ 6,136,922	\$ 587,010	\$ 656,059	\$ 12,023,059
Additions	-	92,835	587,205	801,002	90,603	1,571,645
Reclassifications	-	-	290,224	27,512	(324,916)	(7,180)
Transfer	-	(685,518)	-	-	-	(685,518)
Disposals	-	(227)	(113,818)	(7,693)	-	(121,738)
Depreciation expense	-	(389,827)	(1,667,837)	(635,787)	-	(2,693,451)
Net exchange differences	-	(312,465)	(599,530)	22,379	(46,432)	(936,048)
Closing net book amount as at December 31	<u>\$ 51,850</u>	<u>\$ 3,296,016</u>	<u>\$ 4,633,166</u>	<u>\$ 794,423</u>	<u>\$ 375,314</u>	<u>\$ 9,150,769</u>
<u>At December 31, 2016</u>						
Cost	\$ 51,850	\$ 8,010,112	\$ 22,994,397	\$ 4,858,499	\$ 375,314	\$ 36,290,172
Accumulated depreciation	-	(4,714,096)	(18,361,231)	(4,064,076)	-	(27,139,403)
	<u>\$ 51,850</u>	<u>\$ 3,296,016</u>	<u>\$ 4,633,166</u>	<u>\$ 794,423</u>	<u>\$ 375,314</u>	<u>\$ 9,150,769</u>

	Land	Buildings	Machinery and equipment	Others	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2015</u>						
Cost	\$ 51,850	\$ 9,936,829	\$ 28,134,322	\$ 4,582,788	\$ 787,273	\$ 43,493,062
Accumulated depreciation	-	(4,999,031)	(20,172,594)	(4,017,634)	-	(29,189,259)
	<u>\$ 51,850</u>	<u>\$ 4,937,798</u>	<u>\$ 7,961,728</u>	<u>\$ 565,154</u>	<u>\$ 787,273</u>	<u>\$ 14,303,803</u>
<u>2015</u>						
Opening net book amount						
as at January 1	\$ 51,850	\$ 4,937,798	\$ 7,961,728	\$ 565,154	\$ 787,273	\$ 14,303,803
Additions	-	145,053	693,561	345,122	235,993	1,419,729
Reclassifications	-	-	334,345	9,859	(359,948)	(15,744)
Transfer	- (7,584)	-	-	-	-	(7,584)
Disposals	- (15,404)	(233,280)	(11,979)	-	-	(260,663)
Depreciation expense	- (434,991)	(2,562,336)	(313,007)	-	-	(3,310,334)
Net exchange differences	- (33,654)	(57,096)	(8,139)	(7,259)	(106,148)	
Closing net book amount						
as at December 31	<u>\$ 51,850</u>	<u>\$ 4,591,218</u>	<u>\$ 6,136,922</u>	<u>\$ 587,010</u>	<u>\$ 656,059</u>	<u>\$ 12,023,059</u>
<u>At December 31, 2015</u>						
Cost	\$ 51,850	\$ 9,959,433	\$ 27,084,588	\$ 4,599,402	\$ 656,059	\$ 42,351,332
Accumulated depreciation	-	(5,368,215)	(20,947,666)	(4,012,392)	-	(30,328,273)
	<u>\$ 51,850</u>	<u>\$ 4,591,218</u>	<u>\$ 6,136,922</u>	<u>\$ 587,010</u>	<u>\$ 656,059</u>	<u>\$ 12,023,059</u>

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 95,910	\$ 81,436	\$ 177,346
Accumulated depreciation and impairment	-	(34,923)	(34,923)
	<u>\$ 95,910</u>	<u>\$ 46,513</u>	<u>\$ 142,423</u>

2016

Opening net book amount as at January 1	\$ 95,910	\$ 46,513	\$ 142,423
Transfer	-	685,518	685,518
Depreciation expense	-	(44,747)	(44,747)
Net exchange differences	-	(28,969)	(28,969)
Closing net book amount as at December 31	<u>\$ 95,910</u>	<u>\$ 658,315</u>	<u>\$ 754,225</u>

At December 31, 2016

Cost	\$ 95,910	\$ 1,224,688	\$ 1,320,598
Accumulated depreciation and impairment	-	(566,373)	(566,373)
	<u>\$ 95,910</u>	<u>\$ 658,315</u>	<u>\$ 754,225</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 95,910	\$ 73,852	\$ 169,762
Accumulated depreciation and impairment	-	(33,205)	(33,205)
	<u>\$ 95,910</u>	<u>\$ 40,647</u>	<u>\$ 136,557</u>

2015

Opening net book amount as at January 1	\$ 95,910	\$ 40,647	\$ 136,557
Transfer	-	7,584	7,584
Depreciation expense	-	(1,718)	(1,718)
Closing net book amount as at December 31	<u>\$ 95,910</u>	<u>\$ 46,513</u>	<u>\$ 142,423</u>

At December 31, 2015

Cost	\$ 95,910	\$ 81,436	\$ 177,346
Accumulated depreciation and impairment	-	(34,923)	(34,923)
	<u>\$ 95,910</u>	<u>\$ 46,513</u>	<u>\$ 142,423</u>

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

	<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from the lease of the investment property	<u>\$ 74,458</u>	<u>\$ 20,557</u>
Direct operating expenses arising from the investment property that generated rental income for the year	<u>\$ 44,747</u>	<u>\$ 11,718</u>

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was \$1,144,801 and \$344,728, respectively, which was valued using transactions traded in markets and the comparative method. The investment property is categorised within Level 3 in the fair value hierarchy.

C. For the information related to the transfer of investment property at December 31, 2016, please refer to Note 7(1)H. for details.

(11) Other non-current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivable from payment on behalf of others	\$ 604,570	\$ 658,633
Long-term prepaid rents	579,116	646,236
Prepayments for equipment	60,607	78,375
Other assets	40,618	51,027
	<u>\$ 1,284,911</u>	<u>\$ 1,434,271</u>

The long-term prepaid rents are for a land use right contract that the Group signed for the use of the land in China. All rentals had been paid on the contract date. The Group recognised rental expenses of \$14,724 and \$15,315 for the years ended December 31, 2016 and 2015, respectively.

(12) Short-term loans

<u>Type of loans</u>	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Credit loans	\$ 7,577,602	0.83%~1.29%	None
Other short-term loans	241,322	4.35%~5%	"
	<u>\$ 7,818,924</u>		
<u>Type of loans</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Other short-term loans	<u>\$ 212,387</u>	4.35%	None

The Group has signed an agreement to offset financial assets and liabilities with financial institutions. Details of the offset agreement as of December 31, 2016 and 2015 are as follows:

<u>December 31, 2016</u>		
<u>Gross amount of recognized financial liabilities</u>	<u>Gross amount of recognized financial assets in the balance sheet</u>	<u>Net amount of financial liabilities presented in the balance sheet</u>
<u>\$ 2,079,191</u>	<u>\$ 2,079,191</u>	<u>\$ -</u>
<u>December 31, 2015</u>		
<u>Gross amount of recognized financial liabilities</u>	<u>Gross amount of recognized financial assets in the balance sheet</u>	<u>Net amount of financial liabilities presented in the balance sheet</u>
<u>\$ 3,276,250</u>	<u>\$ 3,276,250</u>	<u>\$ -</u>

(13) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Payable for purchases made on behalf of others	\$ 2,609,380	\$ 815,443
Awards and salaries payable	2,798,380	2,992,249
Payable for module expense	1,044,673	451,973
Employees' bonus payable	960,413	900,807
Consumption goods expense payable	739,289	1,247,907
Payables for equipment	727,929	575,114
Processing fees payable	549,563	5,061,952
Freight payable	74,493	133,809
Others	1,272,673	2,662,544
	<u>\$ 10,776,793</u>	<u>\$ 14,841,798</u>

(14) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 48,357)	(\$ 56,691)
Fair value of plan assets	41,711	48,999
Net defined benefit liability	<u>(\$ 6,646)</u>	<u>(\$ 7,692)</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, 2016</u>			
Balance at January 1	(\$ 56,691)	\$ 48,999	(\$ 7,692)
Current service cost	(117)	-	(117)
Interest income	(992)	875	(117)
	(57,800)	49,874	(7,926)
Remeasurements			
Return on plan assets (Note)	-	(554)	(554)
Change in demographic assumptions	(341)	-	(341)
Change in financial assumptions	(1,707)	-	(1,707)
Experience adjustments	(92)	-	(92)
	(2,140)	(554)	(2,694)
Pension fund contribution	-	1,882	1,882
Paid pension	11,583	(9,491)	2,092
	11,583	(7,609)	3,974
Balance at December 31	(\$ 48,357)	\$ 41,711	(\$ 6,646)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	(\$ 70,958)	\$ 61,270	(\$ 9,688)
Current service cost	(98)	1,327	1,229
Interest income	(1,508)	-	(1,508)
	(72,564)	62,597	(9,967)
Remeasurements			
Return on plan assets (Note)	-	257	257
Change in demographic assumptions	(420)	-	(420)
Change in financial assumptions	(2,101)	-	(2,101)
Experience adjustments	2,341	-	2,341
	(180)	257	77
Pension fund contribution	-	2,198	2,198
Paid pension	16,053	(16,053)	-
	16,053	(13,855)	2,198
Balance at December 31	(\$ 56,691)	\$ 48,999	(\$ 7,692)

Note: The amount included in interest income or expense is excluded.

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 is less than aforementioned rates, government shall make payment for the deficit after approval 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 asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2016	2015
Discount rate	1.375%	1.750%
Future salary increases	2.00%	2.00%

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	\$ 1,156	(\$ 1,198)	(\$ 1,154)	\$ 1,120
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	\$ 1,421	(\$ 1,474)	(\$ 1,429)	\$ 1,385

The sensitivity analysis above was 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, 2017 are \$1,800.

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 14% ~ 20% 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 has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were \$832,953 and \$1,053,754, respectively.

(15) Other non-current liabilities

	December 31, 2016	December 31, 2015
Guarantee deposits received	\$ 31,884	\$ 36,268
Reserve for retirement pension	6,646	7,692
Others	92,611	92,559
	<u>\$ 131,141</u>	<u>\$ 136,519</u>

(16) Capital stock

A. As of December 31, 2016, the Company's authorized capital was \$15,000,000 (including subscription warrant or 50 million shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$14,144,852, constituting 1,414,485 thousand shares with a par value of \$10 (in NT dollars) per share.

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

	For the years ended December 31,	
	2016	2015
At January 1	1,395,024	1,376,726
Capitalisation of undistributed earnings	13,950	13,767
Capitalisation of employees' compensation	5,511	4,531
At December 31	<u>1,414,485</u>	<u>1,395,024</u>

B. The stockholders at their annual stockholders' meeting in June 2016 and 2015 adopted a resolution to issue new shares of 19,461 thousand and 18,298 thousand shares (including new shares of 5,511 thousand and 4,531 thousand shares for employees' compensation) through capitalisation of unappropriated earnings of \$139,502 and \$137,673 and employees' compensation of \$384,668 and \$480,000, respectively.

(17) 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 Law 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.

(18) Retained earnings

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

The Company's 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 statutory and regulatory requirements.

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 dividends shall not be less than 10% of the shareholders' dividends.

- B. According to related regulations, 10% of the balance of earnings after tax less the accumulated loss of prior years should be set aside as legal reserve, until the legal reserve amount reaches the total paid-in capital. 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 distribution of the reserve is limited to the portion in excess of 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 earnings for 2015 and 2014 had been resolved at the stockholders' meeting on June 22, 2016 and June 25, 2015, respectively. Details are summarized below:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,219,824	-	\$ 940,236	-
Stock dividends	139,502	0.1	137,673	0.1
Cash dividends	4,185,072	3.0	3,441,815	2.5
	<u>\$ 5,544,398</u>	<u>3.1</u>	<u>\$ 4,519,724</u>	<u>2.6</u>

The appropriations of 2015 and 2014 earnings were in agreement with the Board of Directors' proposals on May 12, 2016 and May 14, 2015, respectively. The information on distribution of earnings will be posted in 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(25).

(19) Other equity

	Available-for-sale investment	Currency translation adjustments	Total
At January 1, 2016	\$ 318,360	\$ 6,504,594	\$ 6,822,954
Gain on valuation of fair value	13,792,869	-	13,792,869
Currency translation differences:			
–Group	-	(4,922,610)	(4,922,610)
–Associates	-	(1,867)	(1,867)
At December 31, 2016	<u>\$ 14,111,229</u>	<u>\$ 1,580,117</u>	<u>\$ 15,691,346</u>
	Available-for-sale investment	Currency translation adjustments	Total
At January 1, 2015	\$ 1,856,192	\$ 5,269,042	\$ 7,125,234
Loss on valuation of fair value	(1,537,832)	-	(1,537,832)
Currency translation differences:			
–Group	-	1,230,926	1,230,926
–Associates	-	4,626	4,626
At December 31, 2015	<u>\$ 318,360</u>	<u>\$ 6,504,594</u>	<u>\$ 6,822,954</u>

(20) Non-controlling interests

	For the years ended December 31,	
	2016	2015
At January 1	\$ 81,703	\$ 98,439
Shares attributable to non-controlling interests:		
Loss for the year	(1,135)	(15,827)
Currency translation differences	(6,657)	(909)
At December 31	<u>\$ 73,911</u>	<u>\$ 81,703</u>

(21) Operating revenue

	For the years ended December 31,	
	2016	2015
3C products (including components and related electronic products)	<u>\$ 80,110,459</u>	<u>\$ 99,425,613</u>

(22) Other income

	For the years ended December 31,	
	2016	2015
Interest income:		
Interest income from bank deposits	\$ 789,182	\$ 924,151
Interest income from guaranteed income financial products	195,456	293,858
Government grants income	146,191	-
Rental income	202,398	111,853
Dividend income	98,624	332,267
Others	173,243	190,457
	<u>\$ 1,605,094</u>	<u>\$ 1,852,586</u>

(23) Other gains and losses

	For the years ended December 31,	
	2016	2015
Net gains on financial assets at fair value through profit or loss	\$ 1,711,079	\$ 730,055
Net losses on financial liabilities at fair value through profit or loss	(1,522,684)	(433,853)
Net currency exchange gains (losses)	1,204,858	(14,758)
(Losses) gains on disposal of property, plant and equipment	(34,730)	124,813
Losses on disposal of investments	(103,772)	-
Others	(42,704)	(21,670)
	<u>\$ 1,212,047</u>	<u>\$ 384,587</u>

Information related to gains (losses) on financial assets at fair value through profit or loss is provided in Note 6(2).

(24) Expenses by nature

	For the years ended December 31,	
	2016	2015
Employee benefit expense	\$ 9,658,437	\$ 12,562,215
Depreciation	2,738,198	3,312,052
Amortization (including long-term prepaid rent amortization)	61,555	28,850
	<u>\$ 12,458,190</u>	<u>\$ 15,903,117</u>

(25) Employee benefit expense

	For the years ended December 31,	
	2016	2015
Wages and salaries	\$ 7,603,176	\$ 10,048,874
Labor and health insurance fees	388,114	487,111
Pension costs	833,187	1,054,033
Other personnel expenses	833,960	972,197
	<u>\$ 9,658,437</u>	<u>\$ 12,562,215</u>

- A. According to the Company's Articles of Incorporation, if the Company accrues profit (referring to profit before tax prior to deducting the appropriation of employees' compensation and directors' remuneration), 4%~6% should be appropriated as employees' compensation.
- B. For the years ended December 31, 2016 and 2015, employees' compensation (bonus) was accrued at \$489,033 and \$536,749, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised for 2016 and 2015 were estimated and accrued based on 4% of profit of current year distributable.

Employees' compensation for 2015 as resolved by the Board of Directors was in agreement with the amounts recognised in the 2015 financial statements. Employees' compensation for 2015 was divided into cash compensation of \$152,081 and share compensation of \$384,668. Share compensation was calculated based on the closing price of the Company's share of \$69.8 (in dollars) on March 29, 2016 (one day prior to Board of Directors' resolution). The number of shares issued for employees' compensation was 5,511 thousand shares.

Information about employees' compensation (bonus) of the Company as resolved by the board of directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Finance costs

	For the years ended December 31,	
	2016	2015
Interest on bank borrowings	<u>\$ 58,832</u>	<u>\$ 141,121</u>

(27) Income tax

- A. Components of income tax expense:

	For the years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the year	\$ 2,760,201	\$ 2,154,209
Prior year income tax overestimation	(301,617)	(224,677)
Total current tax	<u>2,458,584</u>	<u>1,929,532</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>535,697</u>	<u>449,815</u>
Income tax expense	<u>\$ 2,994,281</u>	<u>\$ 2,379,347</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	\$ 4,281,021	\$ 4,122,120
Tax effects of unrecognised deferred tax assets	(1,650,514)	(2,006,360)
Additional 10% tax on undistributed earnings	665,391	488,264
Prior year income tax overestimation	(301,617)	(224,677)
Income tax expenses	<u>2,994,281</u>	<u>2,379,347</u>
Origination and reversal of temporary differences	(535,697)	(449,815)
Prior year income tax overestimation	301,617	224,677
Prepaid income tax	(853,883)	(1,520,521)
Net exchange differences	(74,794)	(143)
Current income tax liabilities	<u>\$ 1,831,524</u>	<u>\$ 633,545</u>

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

	For the year ended December 31, 2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
Deferred tax assets:					
Reserve for inventory obsolescence and market price decline	\$ 2,674	\$ -	\$ -	\$ -	\$ 2,674
Unrealized exchange loss	525	5,627	-	-	6,152
Permanent loss on market value decline of long-term equity investments	13,789	-	-	-	13,789
Differences in useful lives of property, plant and equipment	1,360,302	(535,873)	-	(87,626)	736,803
Unused compensated absences for employees	17,849	(306)	-	(1,222)	16,321
Others	<u>1,815</u>	<u>396</u>	<u>457</u>	<u>-</u>	<u>2,668</u>
	<u>\$1,396,954</u>	<u>(\$530,156)</u>	<u>\$ 457</u>	<u>(\$ 88,848)</u>	<u>\$ 778,407</u>
Deferred tax liabilities:					
Foreign investment income using equity method	(\$ 475,818)	(\$ 56,040)	\$ -	\$ -	(\$ 531,858)
Unrealized exchange gain	963	963	-	-	1,926
Unrealized valuation gain on financial instruments	(91,566)	49,536	-	-	(42,030)
	<u>(\$ 566,421)</u>	<u>(\$ 5,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 571,962)</u>

For the year ended December 31, 2015					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
Deferred tax assets:					
Reserve for inventory obsolescence and market price decline	\$ 2,674	\$ -	\$ -	\$ -	\$ 2,674
Unrealized exchange loss	485	40	-	-	525
Permanent loss on market value decline of long-term equity investments	13,789	-	-	-	13,789
Differences in useful lives of property, plant and equipment	1,705,391	(329,269)	-	(15,820)	1,360,302
Unused compensated absences for employees	25,444	(7,379)	-	(216)	17,849
Others	2,154	(326)	(13)	-	1,815
	<u>\$1,749,937</u>	<u>(\$336,934)</u>	<u>(\$ 13)</u>	<u>(\$ 16,036)</u>	<u>\$ 1,396,954</u>
Deferred tax liabilities:					
Foreign investment income using equity method	(\$ 402,966)	(\$ 72,852)	\$ -	\$ -	(\$ 475,818)
Unrealized exchange gain	-	(963)	-	-	(963)
Unrealized valuation gain on financial instruments	(52,500)	(39,066)	-	-	(91,566)
	<u>(\$ 455,466)</u>	<u>(\$112,881)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 568,347)</u>

D. The Company did not recognise taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the temporary differences unrecognized as deferred tax liabilities were \$94,362,167 and \$72,159,024, respectively. Abovementioned taxable temporary differences arose from the differences between estimated carrying amounts of long-term investments in foreign subsidiaries and tax payable. The Company will not dispose the subsidiaries in the foreseeable future nor remit back earnings and thus, did not recognise deferred income tax liabilities.

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

F. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and after 1998	<u>\$ 60,007,688</u>	<u>\$ 54,833,215</u>

G. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was \$5,856,230 and \$5,262,837, respectively. The creditable tax rate was 10.56% for 2015 and the estimated creditable tax rate was 11.38% for 2016.

(28) Earnings per share

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	<u>\$ 10,721,108</u>	1,411,880	<u>\$ 7.59</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 10,721,108		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>9,096</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 10,721,108</u>	<u>1,420,976</u>	<u>\$ 7.54</u>
For the year ended December 31, 2015			
	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	<u>\$ 12,198,244</u>	1,406,780	<u>\$ 8.67</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 12,198,244		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>12,965</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 12,198,244</u>	<u>1,419,745</u>	<u>\$ 8.59</u>

The abovementioned shares were retrospectively adjusted to the weighted average number of shares outstanding through capitalization of earnings as of December 31, 2016.

(29) Supplementary information on cash flows

Investing activities with partial cash payments:

	For the years ended December 31,	
	2016	2015
Purchase of property, plant and equipment	\$ 1,571,645	\$ 1,419,729
Add: opening balance of payable on equipment	575,114	201,757
Less: ending balance of payable on equipment	(727,929)	(575,114)
Cash paid during the year	<u>\$ 1,418,830</u>	<u>\$ 1,046,372</u>
	For the years ended December 31,	
	2016	2015
Disposal of property, plant and equipment	\$ 121,738	\$ 260,663
Add: opening balance of receivable on equipment	3,790	253,413
Less: ending balance of receivable on equipment	(86,669)	(3,790)
Cash received during the year	<u>\$ 38,859</u>	<u>\$ 510,286</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales

	For the years ended December 31,	
	2016	2015
Sales of goods and services:		
— Entities with significant influence to the Group	\$ 49,561,191	\$ 65,317,312
— Other related parties	7,636	5,957
	<u>\$ 49,568,827</u>	<u>\$ 65,323,269</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	For the years ended December 31,	
	2016	2015
Purchases of goods and services:		
— Entities with significant influence to the Group	\$ 36,709,116	\$ 49,485,903
— Other related parties	130,322	96,910
	<u>\$ 36,839,438</u>	<u>\$ 49,582,813</u>

Purchases from related parties are based on normal commercial terms and conditions which are not significantly different from those from non-related parties.

Purchases of services represent processing fee to related parties.

C. Receivables from related parties

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable:		
— Entities with significant influence to the Group	\$ 13,489,114	\$ 19,976,894
— Other related parties	<u>3,059</u>	<u>3,243</u>
	<u>\$ 13,492,173</u>	<u>\$ 19,980,137</u>

The receivables from related parties arise mainly from sale transactions. The amount is due three months after the invoice date. The receivables are unsecured and non-interest bearing. No allowance for doubtful debts was provided against receivables from related parties.

D. Payables to related parties

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable:		
— Entities with significant influence to the Group	\$ 11,835,420	\$ 11,554,467
— Other related parties	<u>63,798</u>	<u>31,838</u>
	<u>\$ 11,899,218</u>	<u>\$ 11,586,305</u>

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Processing fees payable		
— Entities with significant influence to the Group	<u>\$ 25,299</u>	<u>\$ 4,674,996</u>

The payables to related parties arise mainly from purchase and processing transactions and are at arm's length, non-interest bearing and payable within 30~90 days.

E. Management service fees and management service fees payable

	<u>For the years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Management service fees		
— Entities with significant influence to the Group	\$ 350,361	\$ 636,554
— Other related parties	<u>-</u>	<u>12,886</u>
	<u>\$ 350,361</u>	<u>\$ 649,440</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Management service fees payable		
— Entities with significant influence to the Group	\$ 551	\$ -
— Other related parties	<u>12,394</u>	<u>40,102</u>
	<u>\$ 12,945</u>	<u>\$ 40,102</u>

F. Raw materials purchased on behalf of others

	For the years ended December 31,	
	2016	2015
Raw materials purchased on behalf of others		
— Entities with significant influence to the Group	\$ 9,301,903	\$ 11,809,341
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivable for purchases made on behalf of others (shown as 'other receivables')		
— Entities with significant influence to the Group	\$ 2,792,119	\$ 687,918

G. Property transactions

(a) Property acquisition:

	For the years ended December 31,	
	2016	2015
Acquisition of property, plant and equipment:		
— Entities with significant influence to the Group	\$ 982,921	\$ 591,698
— Other related parties	149,087	30,182
	<u>\$ 1,132,008</u>	<u>\$ 621,880</u>

(b) Outstanding balance for acquisition of property (shown as 'other payables'):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Payable for acquisition of property, plant and equipment:		
— Entities with significant influence to the Group	\$ 579,754	\$ 467,029

(c) Proceeds from sale of property, plant and equipment:

	For the years ended December 31,			
	2016		2015	
	Proceeds from sale of property, plant and equipment	Gain	Proceeds from sale of property, plant and equipment	Gain
Sale of property, plant and equipment:				
— Entities with significant influence to the Group	\$ 101,558	\$ 26,433	\$ 320,708	\$ 168,146
— Other related parties	618	618	3,403	1,819
	<u>\$ 102,176</u>	<u>\$ 27,051</u>	<u>\$ 324,111</u>	<u>\$ 169,965</u>

(d) Receivable from sale of property, plant and equipment (shown as 'other receivables'):

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Sale of property, plant and equipment		
— Entities with significant influence to the Group	\$ 38,374	\$ 3,790

H. Rent revenue

Foxconn Precision Electronics (Taiyuan) Co., Ltd., referred herein as “Foxconn (Taiyuan)”, a subsidiary of Hon Hai, leases part of plants, offices and dormitories in Taiyuan with the Group in April, 2016. Lease price is agreed upon by both parties and the Group collects rent from Foxconn (Taiyuan) in accordance with the agreement. The rental income under operating leases for the year ended December 31, 2016 was \$48,533.

(2) Key management compensation

	For the years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	\$ 34,016	\$ 38,912
Post-employment benefits	525	267
	<u>\$ 34,541</u>	<u>\$ 39,179</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2016	December 31, 2015
Property, plant and equipment	<u>\$ 57,224</u>	<u>\$ 51,496</u>

B. Operating lease commitments:

The future aggregate minimum lease payments for the lease of dormitory are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	\$ 435,841	\$ 467,140
Later than one year but not later than five years	1,715,381	1,783,199
	<u>\$ 2,151,222</u>	<u>\$ 2,250,339</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. 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 is calculated as 'equity' as shown in the consolidated balance sheet less total intangible assets capital.

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio below 70%.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, accounts receivable, other receivables, time deposits with maturity more than three months, short-term loans, financial liabilities at fair value through profit or loss, accounts payable and other payables) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) Risk categories

The Group employs a comprehensive financial 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 items in 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

Foreign exchange risk

i. Nature:

The Group is a multinational group in the Electronic manufacturing services industry. Most of the exchange rate risk from operating activities comes from:

- (i) 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. Because the amount after the assets and liabilities are offset is insignificant, income/loss is insignificant as well. (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.)
- (ii) Changes in exchange rates of functional currencies to presentation currency at different timing will cause another foreign exchange risk.
- (iii) Except for the above transactions (operating activities) recognized in the income statement, assets and liabilities recognized in the balance sheet and the net investment in foreign operations also result in the exchange rate risk.

ii. Management:

- (i) For such risks, the Group has set up policies requiring companies in the Group to manage its exchange rate risks.
- (ii) 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. Sources of risk:

(i) U.S. dollars and NT dollars:

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 translated into New Taiwan dollars.

(ii) U.S. dollars 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 translated into RMB.

iv. 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, 2016						
(Foreign currency: functional currency)	Foreign currency					
	amount	Exchange	Book value	Extent of	Effect on	
	(in thousands)	rate	(NTD)	variation	profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$	333,137	32.25	\$ 10,743,668	1%	\$ 107,437
USD : RMB		447,513	6.9370	14,432,294	1%	144,323
JPY : USD		479,450	0.0085	132,136	1%	1,321
<u>Non-monetary items</u>						
<u>Foreign operations</u>						
USD : NTD		3,385,183	32.25	109,172,137		
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD		610,437	32.25	19,686,593	1%	196,866
USD : RMB		118,152	6.9730	3,810,402	1%	38,104
December 31, 2015						
(Foreign currency: functional currency)	Foreign currency					
	amount	Exchange	Book value	Extent of	Effect on	
	(in thousands)	rate	(NTD)	variation	profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$	127,725	32.83	\$ 4,193,212	1%	\$ 41,932
USD : RMB		376,089	6.4936	12,347,002	1%	123,470
<u>Non-monetary items</u>						
<u>Foreign operations</u>						
USD : NTD		2,757,253	32.83	90,520,628		
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD		295,063	32.83	9,686,918	1%	96,869
USD : RMB		399,757	6.4936	13,124,022	1%	131,240

- 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, 2016 and 2015 amounted to \$1,204,858 and (\$14,758), respectively.

Price risk

i. Nature

The Group primarily invests in domestic and foreign publicly traded and unlisted equity instruments, which are accounted for as available-for-sale investment 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 \$358,793 and \$43,897 for the years ended December 31, 2016 and 2015, respectively.

Interest rate risk

The Group's interest rate risk arises from long-term and short-term loans. Long-term and short-term loans 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.

If short-term loans interest rates rise or fall by 1%, with all other factors held constant, profit after tax would decrease/increase by \$64,897 and \$1,763 for the years ended December 31, 2016 and 2015, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

- i. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing 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.
- ii. 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.
- iii. The credit quality information of accounts receivable (including related parties) that are neither past due nor impaired is in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Group 1	\$ 19,782,641	\$ 23,393,173
Group 2	153,418	697,548
Group 3	667,575	90,733
Group 4	403,686	787,114
	<u>\$ 21,007,320</u>	<u>\$ 24,968,568</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.

- iv. The aging analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Up to 30 days	\$ 453,113	\$ 623,634
31 to 90 days	1,124,945	207,321
91 to 180 days	9,462	24,271
181 to 360 days	81,863	74,406
Over 360 days	21,901	9,752
	<u>\$ 1,691,284</u>	<u>\$ 939,384</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed by each of the operating entities of the Group and aggregated by Group treasury. 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 groupings 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

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>December 31, 2016</u>				
Short-term loans	\$ 7,772,516	\$ -	\$ 46,408	\$ 7,818,924
Accounts payable	18,731,478	8,271	-	18,739,749
Other payables	10,772,845	3,948	-	10,776,793
Guarantee deposits received	31,884	-	-	31,884
	<u>\$ 37,308,723</u>	<u>\$ 12,219</u>	<u>\$ 46,408</u>	<u>\$ 37,367,350</u>

Non-derivative financial liabilities

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>December 31, 2015</u>				
Short-term loans	\$ -	\$ -	\$ 212,387	\$ 212,387
Accounts payable	15,630,228	273,623	42	15,903,893
Other payables	14,715,073	126,725	-	14,841,798
Guarantee deposits received	36,268	-	-	36,268
	<u>\$ 30,381,569</u>	<u>\$ 400,348</u>	<u>\$ 212,429</u>	<u>\$ 30,994,346</u>

Derivative financial liabilities

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>December 31, 2016</u>				
Forward exchange contracts	\$ -	\$ 1,503,327	\$ -	\$ 1,503,327

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>December 31, 2015</u>				
Foreign exchange contracts	\$ 29,264	\$ -	\$ -	\$ 29,264

(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(10).
- 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 takes 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. The fair value of the Group's investment in investment property is included in Level 3.
- 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, 2016 and 2015 is as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Cross currency swap contracts	\$ -	\$ 1,737,730	\$ -	\$ 1,737,730
Foreign exchange contracts	-	247,238	-	247,238
	<u>\$ -</u>	<u>\$ 1,984,968</u>	<u>\$ -</u>	<u>\$ 1,984,968</u>
Available-for-sale financial assets				
Equity securities	\$ 3,720,459	\$ 31,882,234	\$ -	\$ 35,602,693
Foreign investment fund	-	276,558	-	276,558
	<u>\$ 3,720,459</u>	<u>\$ 32,158,792</u>	<u>\$ -</u>	<u>\$ 35,879,251</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,503,327	\$ -	\$ 1,503,327
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange contracts	\$ -	\$ 538,623	\$ -	\$ 538,623
Available-for-sale financial assets				
Equity securities	\$ 4,108,196	\$ -	\$ -	\$ 4,108,196
Foreign investment fund	-	281,531	-	281,531
	<u>\$ 4,108,196</u>	<u>\$ 281,531</u>	<u>\$ -</u>	<u>\$ 4,389,727</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange contracts	\$ -	\$ 29,264	\$ -	\$ 29,264

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:

	<u>Listed shares</u>
Market quoted price	Closing price

- (b) The fair value of foreign investment fund is measured by reference to counterparty quotes.

- (c) When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts and foreign exchange contracts, 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, 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, 2016 and 2015, there was no transfer between Level 1 and Level 2.
 - F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES COMMISSION

(1) Related information of significant transactions

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- 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 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- 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 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(23) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

(1) General information

The Group is primarily engaged in the assembly and sales of cases, heat dissipation modules and consumer electronics products. The chief operating decision-maker manages the abovementioned items by business activity. Currently, business activities can be categorized into trading services of electronic products and manufacturing and sales of mechanism and components.

Revenue and operating income of operating segments are used by the Group's chief operating decision-maker for imputation of internal costs and allocation of expenses to segment profit (loss) and are used as an indication for assessment of performance and allocation of resources.

(2) Measurement of segment information

The financial information of reportable segments provided to the chief operating decision maker is as follows:

	For the year ended December 31, 2016		
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 26,114,897	\$ 53,860,926	\$ 79,975,823
Revenue from internal customers	524,904	6,534,207	7,059,111
Segment revenue	<u>\$ 26,639,801</u>	<u>\$ 60,395,133</u>	<u>\$ 87,034,934</u>
Measurement of segment profit or loss	<u>\$ 1,489,090</u>	<u>\$ 10,840,962</u>	<u>\$ 12,330,052</u>
Depreciation and amortization	<u>\$ 2,297</u>	<u>\$ 2,790,381</u>	<u>\$ 2,792,678</u>
Interest income	<u>\$ 8,150</u>	<u>\$ 976,459</u>	<u>\$ 984,609</u>
Interest expense	<u>\$ 16,901</u>	<u>\$ 41,872</u>	<u>\$ 58,773</u>
Total segment assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	For the year ended December 31, 2015		
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 25,008,358	\$ 74,077,535	\$ 99,085,893
Revenue from internal customers	474,031	2,229,761	2,703,792
Segment revenue	<u>\$ 25,482,389</u>	<u>\$ 76,307,296</u>	<u>\$ 101,789,685</u>
Measurement of segment profit or loss	<u>\$ 867,565</u>	<u>\$ 10,947,022</u>	<u>\$ 11,814,587</u>
Depreciation and amortization	<u>\$ 2,647</u>	<u>\$ 3,331,009</u>	<u>\$ 3,333,656</u>
Interest income	<u>\$ 42,508</u>	<u>\$ 1,171,229</u>	<u>\$ 1,213,737</u>
Interest expense	<u>\$ 34,406</u>	<u>\$ 106,461</u>	<u>\$ 140,867</u>
Total segment assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The measurement of operating segment assets is not provided to the operating decision-maker; thus, the measurement that shall be disclosed is zero.

(3) 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 /(loss) before tax from continuing operations for the years ended December 31, 2016 and 2015 is provided as follows:

	For the years ended December 31,	
Operating revenue	2016	2015
Total income of reportable operating segments	\$ 87,034,934	\$ 101,789,685
Other segments income	134,636	339,720
Elimination of inter-segment revenue	(7,059,111)	(2,703,792)
Total corporate revenue	<u>\$ 80,110,459</u>	<u>\$ 99,425,613</u>
	For the years ended December 31,	
Profit and loss	2016	2015
Profit of reportable operating segments	\$ 12,330,052	\$ 11,814,587
(Loss) profit of other operating segments	(1,610,079)	367,830
Income after tax from continuing operations	<u>\$ 10,719,973</u>	<u>\$ 12,182,417</u>

(4) Information on product

	For the years ended December 31,	
	2016	2015
Electronic products	\$ 26,114,897	\$ 25,008,358
Mechanism and components	53,860,926	74,077,535
Others	134,636	339,720
	<u>\$ 80,110,459</u>	<u>\$ 99,425,613</u>

(5) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	For the years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 59,249,278	\$ 10,329,455	\$ 67,691,112	\$ 12,672,725
Japan	14,116,237	-	21,839,467	-
USA	6,063,141	90	2,838,769	10
Taiwan	149,366	228,390	1,168,735	212,188
Others	532,437	11,963	5,887,530	37,645
	<u>\$ 80,110,459</u>	<u>\$ 10,569,898</u>	<u>\$ 99,425,613</u>	<u>\$ 12,922,568</u>

(6) Major customer information

Details of customers contributing more than 10% of operating revenue of the Company and subsidiaries for the years ended December 31, 2016 and 2015 are as follows:

Customer	For the years ended December 31,			
	2016		2015	
	Revenue	%	Revenue	%
B Group	\$ 49,561,191	62%	\$ 65,317,312	66%
A Group	18,720,379	23%	21,887,338	22%
	<u>\$ 68,281,570</u>		<u>\$ 87,204,650</u>	

Foxconn Technology Co., Ltd and Subsidiaries

Loans to others

Year ended December 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
													Item	Value			
1	Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Other receivables	Related parties	\$ 3,359,700	\$ -	\$ -	-	Short-term financing	\$ -	Business operation	\$ -	None	\$ -	\$ 32,001,710	\$ 64,003,420	Note
2	Foxconn Precision Components Holding Co., Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Other receivables	Related parties	3,359,700	-	-	-	Short-term financing	-	Business operation	-	None	-	32,001,710	64,003,420	Note
3	New Glory Holdings Ltd.	YanTai Fuzhun Precision Electronics Co., Ltd.	Other receivables	Related parties	671,940	-	-	-	Short-term financing	-	Business operation	-	None	-	32,001,710	64,003,420	Note
4	Fuzhun Precision (Shenzhen) Industry Co., Ltd	YanTai Fuzhun Precision Electronics Co., Ltd.	Other receivables	Related parties	256,355	-	-	-	Short-term financing	-	Business operation	-	None	-	32,001,710	64,003,420	Note
4	Fuzhun Precision (Shenzhen) Industry Co., Ltd	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Other receivables	Related parties	2,563,550	-	-	-	Short-term financing	-	Business operation	-	None	-	32,001,710	64,003,420	Note
5	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Qingdao Hiyn Materials Co., Ltd	Other receivables	Related parties	758,811	687,682	687,682	4.35000%	Short-term financing	-	Business operation	-	None	-	3,101,797	12,407,187	Note
6	Q-Run Holdings Ltd.	YanTai Fuzhun Precision Electronics Co., Ltd.	Other receivables	Related parties	645,840	645,840	645,840	1.01389%	Short-term financing	-	Business operation	-	None	-	32,001,710	64,003,420	Note

Note: For short-term borrowings, limit on loans granted for a single party is 10% of the lending company's net assets and ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Limit on loans granted for a single foreign company whose voting rights are 100% owned directly and indirectly by the Company is 30% of the Company's net assets and 60% for ceiling on total loans.

Foxconn Technology Co., Ltd and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2016

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Foxconn Technology Co., Ltd.	Common stock of CyberTAN Technology Inc.	None	Available-for-sale financial assets -non-current	10,035,348	\$ 193,682	3.05	\$ 193,682	
Foxconn Technology Co., Ltd.	Common stock of Pan-International Industrial Corp.	None	Available-for-sale financial assets -non-current	1,079,986	26,622	0.21	26,622	
Foxconn Technology Co., Ltd.	Common stock of Innolux Corporation	None	Available-for-sale financial assets -non-current	127,556,349	1,479,654	1.28	1,479,654	
Foxconn Technology Co., Ltd.	Common stock of Advanced Optoelectronic Technology, Inc.	None	Available-for-sale financial assets -non-current	1,000	22	-	22	
Huazhun Investment Co., Ltd.	Common stock of Innolux Corporation	None	Available-for-sale financial assets -non-current	121,036,800	1,404,027	1.22	1,404,027	
Huazhun Investment Co., Ltd.	Common stock of Advanced Optoelectronic Technology, Inc.	None	Available-for-sale financial assets -non-current	7,672,000	171,853	5.15	171,853	
Q-Run Holdings Ltd.	Conquer Hill Advantage Fund	None	Available-for-sale financial assets -non-current	89,927	276,558	-	276,558	
Q-Run Holdings Ltd.	Common stock of China Harmony Auto Holding Ltd.	None	Available-for-sale financial assets -non-current	38,452,340	444,599	2.39	444,599	
Foxconn Technology Pte. Ltd.	Common stock of Sharp corporation	None	Available-for-sale financial assets -non-current	646,400,000	31,882,234	12.97	31,882,234	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	4,037,496	-	4,037,496	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	2,320,400	-	2,320,400	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	None	Other current assets	-	2,320,400	-	2,320,400	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 39 Days Interest Guaranteed Wealth Management Products	None	Other current assets	-	1,392,240	-	1,392,240	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 52 Days Interest Guaranteed Wealth Management Products	None	Other current assets	-	928,160	-	928,160	
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	301,652	-	301,652	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Yun Tong Fortune Increasing Profits 33 Days Financial Products	None	Other current assets	-	232,040	-	232,040	

Foxconn Technology Co., Ltd and Subsidiaries
Aggregate purchases or sale of the same securities reaching \$300 million or 20% of paid-in capital or more
Year ended December 31, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2016		Addition		Number of shares	Disposal			Balance as at December 31, 2016	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Foxconn Technology Pte. Ltd.	Common stock of Sharp Corporation	Note 1	Sharp Corporation	None	-	-	646,400	JPY 57,063,151 thousand	-	-	-	-	646,400	JPY 57,063,151 thousand
Foxconn Technology Pte. Ltd.	Shanghai Pudong Development Bank Co., Ltd. of 2015 section 3 “Li Duo Duo”—Hwei Syang Ying	Note 2	Shanghai Pudong Development Bank Co., Ltd.	None	-	USD 20,000 thousand	-	-	-	USD 20,174 thousand	USD 20,000 thousand	USD 174 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	2015 Industrial and Commercial Bank of China for Wealth Management Win-win (YJZ15011) Financial Products	Note 2	Industrial and Commercial Bank of China	None	-	RMB 250,000 thousand	-	-	-	RMB 251,451 thousand	RMB 250,000 thousand	RMB 1,451 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	2016 Industrial and Commercial Bank of China for Wealth Management Win-win (YJZ16001) Financial Products	Note 2	Industrial and Commercial Bank of China	None	-	-	-	RMB 260,000 thousand	-	RMB 261,482 thousand	RMB 260,000 thousand	RMB 1,482 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	2016 Industrial and Commercial Bank of China for Wealth Management Win-win (YJZ16004) Financial Products	Note 2	Industrial and Commercial Bank of China	None	-	-	-	RMB 70,000 thousand	-	RMB 70,583 thousand	RMB 70,000 thousand	RMB 583 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 260,000 thousand	-	RMB 262,006 thousand	RMB 260,000 thousand	RMB 2,006 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 75,000 thousand	-	RMB 75,333 thousand	RMB 75,000 thousand	RMB 333 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	"Ben Li Feng" Targeted (BFDG160209) RMB Wealth Managements Products	Note 2	Agricultural Bank of China Ltd.	None	-	-	-	RMB 260,000 thousand	-	RMB 260,607 thousand	RMB 260,000 thousand	RMB 607 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 800,000 thousand	-	-	-	-	-	RMB 870,000 thousand
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 70,000 thousand	-	-	-	-	-	RMB 70,000 thousand
Fu Rui Precision Components (Kunshan) Co., Ltd.	Yun Tong Fortune Increasing Profits 31 Days Financial Products	Note 2	Bank of Communications Co., Ltd.	None	-	RMB 220,000 thousand	-	-	-	RMB 220,673 thousand	RMB 220,000 thousand	RMB 673 thousand	-	-
Fu Rui Precision Components (Kunshan) Co., Ltd.	"Ben Li Feng" RMB 51 Days Financial Products	Note 2	Agricultural Bank of China Ltd.	None	-	-	-	RMB 200,000 thousand	-	RMB 200,894 thousand	RMB 200,000 thousand	RMB 894 thousand	-	-
Fu Rui Precision Components (Kunshan) Co., Ltd.	Yun Tong Fortune Increasing Profits 32 Days Financial Products	Note 2	Bank of Communications Co., Ltd.	None	-	-	-	RMB 180,000 thousand	-	RMB 180,505 thousand	RMB 180,000 thousand	RMB 505 thousand	-	-

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Fu Yu Precision Components (Kunshan) Co., Ltd.	Yun Tong Fortune Increasing Profits 31 Days Financial Products	Note 2	Bank of Communications Co., Ltd.	None	-	RMB 70,000 thousand	-	-	-	RMB 70,214 thousand	RMB 70,000 thousand	RMB 214 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 500,000 thousand	-	RMB 500,755 thousand	RMB 500,000 thousand	RMB 755 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 39 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 360,000 thousand	-	RMB 361,154 thousand	RMB 360,000 thousand	RMB 1,154 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 39 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 100,000 thousand	-	RMB 100,342 thousand	RMB 100,000 thousand	RMB 342 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 38 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 490,000 thousand	-	RMB 491,530 thousand	RMB 490,000 thousand	RMB 1,530 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 40 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,589 thousand	RMB 500,000 thousand	RMB 1,589 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,438 thousand	RMB 500,000 thousand	RMB 1,438 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 37 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,521 thousand	RMB 500,000 thousand	RMB 1,521 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	"Li Duo Duo" 28 Days Financial Products	Note 2	Shanghai Pudong Development Bank Co., Ltd.	None	-	-	-	RMB 400,000 thousand	-	RMB 400,951 thousand	RMB 400,000 thousand	RMB 951 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 36 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 150,000 thousand	-	RMB 150,444 thousand	RMB 150,000 thousand	RMB 444 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 38 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,614 thousand	RMB 500,000 thousand	RMB 1,614 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 38 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 400,000 thousand	-	RMB 401,249 thousand	RMB 400,000 thousand	RMB 1,249 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,486 thousand	RMB 500,000 thousand	RMB 1,486 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,486 thousand	RMB 500,000 thousand	RMB 1,486 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,438 thousand	RMB 500,000 thousand	RMB 1,438 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 40 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 200,000 thousand	-	RMB 200,679 thousand	RMB 200,000 thousand	RMB 679 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 40 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 300,000 thousand	-	RMB 300,986 thousand	RMB 300,000 thousand	RMB 986 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 36 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 300,000 thousand	-	RMB 300,917 thousand	RMB 300,000 thousand	RMB 917 thousand	-	-

Table 3, Page 2

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2016		Addition		Disposal				Balance as at December 31, 2016	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 36 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 300,000 thousand	-	RMB 300,888 thousand	RMB 300,000 thousand	RMB 888 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 43 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 300,000 thousand	-	RMB 301,060 thousand	RMB 300,000 thousand	RMB 1,060 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 44 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 100,000 thousand	-	RMB 100,374 thousand	RMB 100,000 thousand	RMB 374 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 39 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 300,000 thousand	-	-	-	-	-	RMB 300,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Steady Series RMB 52 Days Interest Guaranteed Wealth Management Products	Note 2	Bank of Beijing	None	-	-	-	RMB 200,000 thousand	-	-	-	-	-	RMB 200,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	RMB 65,155 thousand	RMB 65,000 thousand	RMB 155 thousand	-	-
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	RMB 65,155 thousand	RMB 65,000 thousand	RMB 165 thousand	-	-
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	RMB 65,205 thousand	RMB 65,000 thousand	RMB 205 thousand	-	-
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	RMB 65,353 thousand	RMB 65,000 thousand	RMB 353 thousand	-	-
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	-	-	-	-	RMB 65,000 thousand
Fuzhun Precision (Hebi) Electronics Co., Ltd.	"Li Duo Duo" 28 Days Financial Products	Note 2	Shanghai Pudong Development Bank Co., Ltd.	None	-	-	-	RMB 80,000 thousand	-	RMB 80,165 thousand	RMB 80,000 thousand	RMB 193 thousand	-	-

Note 1: Code of general ledger accounts is available-for-sale financial assets - non-current.

Note 2: Code of general ledger accounts is other current assets.

Foxconn Technology Co., Ltd and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 818,610	3	90 days	Note	Note	\$ 303,123	4	
Foxconn Technology Co., Ltd.	FTC Technology Inc.	The investee is an indirect subsidiary of the Company	Sales	217,361	1	90 days	Note	Note	21,052	-	
Foxconn Technology Co., Ltd.	High Tempo International Ltd.	The investee is an indirect subsidiary of the Company	Sales	303,939	1	90 days	Note	Note	171,615	2	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	36,929,184	93	90 days	Note	Note	6,206,641	86	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	1,556,611	4	90 days	Note	Note	493,370	7	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Fuzhun Precision (Hebi) Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	570,818	1	90 days	Note	Note	324,692	4	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	4,235,048	96	60 days	Note	Note	2,517,176	94	
Qingdao Hiyn Materials Co., Ltd	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	503,437	81	90 days	Note	Note	190,020	86	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	5,441,764	84	90 days	Note	Note	3,189,266	93	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	517,966	8	90 days	Note	Note	153,187	4	

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Transaction								
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	The investee is an indirect subsidiary of the Company	Sales	\$ 417,391	6	90 days	Note	Note	\$ 10,485	-	
Foxconn Technology Pte. Ltd.	Hon Hai Precision Industry Co., Ltd.	The counterparty of the investee is an investment company which accounts the Company using equity method	Sales	629,166	4	90 days	Note	Note	204,100	4	
Foxconn Technology Pte. Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	2,447,915	14	90 days	Note	Note	1,196,076	23	
Foxconn Technology Pte. Ltd.	Ambit Microsystem (Shanghai) Co., Ltd.	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	286,024	2	90 days	Note	Note	86,716	2	
Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	The investee is an indirect subsidiary of the Company	Sales	5,372,860	31	90 days	Note	Note	1,216,215	23	
Foxconn Technology Pte. Ltd.	FTP Technology Inc.	The investee is an indirect subsidiary of the Company	Sales	116,175	1	30 days	Note	Note	35,128	1	
FTC Technology Inc.	Hon Hai Precision Industry Co., Ltd.	The counterparty of the investee is an investment company which accounts the Company using equity method	Sales	150,530	63	90 days	Note	Note	20	-	
Fuzhun Precision (Shenzhen) Industry Co., Ltd	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	477,512	67	90 days	Note	Note	142,847	80	
Fuzhun Precision (Shenzhen) Industry Co., Ltd	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	235,408	33	30 days	Note	Note	-	-	
YanTai Fuzhun Precision Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	250,581	20	90 days	Note	Note	176,362	30	
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	849,696	67	90 days	Note	Note	357,049	61	
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	Purchases	23,641,837	91	30 days	Note	Note	(10,244,878) (	90)	
Foxconn Technology Co., Ltd.	Nanning Funing Precision Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Purchases	1,670,681	6	30 days	Note	Note	-	-	
Foxconn Technology Co., Ltd.	Fu Rui Precision Components (Kunshan) Co., Ltd	The investee is an indirect subsidiary of the Company	Purchases	163,027	1	90 days	Note	Note	(38,383)	-	

							Differences in transaction terms compared to third party transactions				
							Transaction			Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	\$ 7,751,208	27	90 days	Note	Note	(\$ 252,030)	(10)	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	The counterparties of the investee is an investment company which accounts the Company using equity method	Purchases	191,197	1	90 days	Note	Note	(60,664)	(2)	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	282,872	5	90 days	Note	Note	(108,175)	(9)	
Foxconn Technology Pte. Ltd.	Hon Hai Precision Industry Co., Ltd.	The counterparty of the investee is an investment company which accounts the Company using equity method	Purchases	4,298,458	25	90 days	Note	Note	(978,274)	(13)	
Foxconn Technology Pte. Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	240,483	1	90 days	Note	Note	(77,828)	(1)	
Fuzhun Precision (Shenzhen) Industry Co., Ltd	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	123,636	22	90 days	Note	Note	(20,579)	(43)	

Note: The prices and terms to related parties were not significantly different from transactions with third parties, except for particular transactions with no similar transactions to compare with.

For these transactions, the prices and terms were determined in accordance with mutual agreements.

Foxconn Technology Co., Ltd and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	\$ 303,123	2.47	\$ 44,547	Subsequent collection	\$ 226,089	-
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	2,792,119	Not applicable	-	-	2,041,825	-
			(shown as other receivables) (Note 1)					
Foxconn Technology Co., Ltd.	High Tempo International Ltd.	The investee is an indirect subsidiary of the Company	171,615	3.02	-	-	171,011	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	6,206,641	3.49	-	Subsequent collection	5,220,307	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	493,370	2.52	-	-	490,370	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Fuzhun Precision (Hebi) Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	324,692	2.22	-	Subsequent collection	245,564	-
Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd. and subsidiaries	The investee is an indirect subsidiaries of Company	2,517,176	2.04	-	Subsequent collection	1,012,843	-
Qingdao Hiyn Materials Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	190,020	3.51	13,585	Subsequent collection	99,568	-
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	3,189,266	2.47	-	Subsequent collection	1,603,541	-
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	153,187	5.24	-	Subsequent collection	44,592	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Foxconn Technology Pte. Ltd.	Hon Hai Precision Industry Co., Ltd. and subsidiaries	The counterparties of the investee is an investment company which accounts the Company using equity method	\$ 204,100	4.57	\$ 1,844	Subsequent collection	\$ 1,172	-
Foxconn Technology Pte. Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	1,196,076	1.88	9,110	Subsequent collection	25,620	-
Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	The investee is an indirect subsidiary of the Company	1,216,215	2.26	2,472	Subsequent collection	20,033	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	142,847	3.06	-	-	84,104	-
YanTai Fuzhun Precision Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	176,362	1.32	-	-	117,203	-
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	357,049	3.69	-	-	270,770	-
High Tempo International Ltd.	Foxconn Technology Co., Ltd.	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	595,641	Not applicable	-	-	152	-
			(shown as other receivables) (Note 2)					
Foxconn Technology Pte. Ltd.	Fuzhun Precision (Hebi) Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	261,551	Not applicable	-	-	-	-
			(shown as other receivables) (Note 2)					

Note 1: Receivables from purchases of materials by parent company on behalf of Foxconn (Far East) Ltd. and subsidiaries.

Note 2: Receivables from purchases of materials by investees on behalf of the parent company.

Note 3: It refers to receivable arising from investee's purchasing materials and raw materials on behalf of subsidiaries in which the Company directly re-invested.

Note 4: For information of loans to others, please refer to table 1.

Foxconn Technology Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2016

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Foxconn Technology Co., Ltd.	FTC Technology Inc.	1	Sales	\$ 217,361	Note 4	0
0	"	High Tempo International Ltd.	1	Sales	303,939	"	0
0	"	"	1	Accounts payable	171,615	"	0
0	"	Nanning Funing Precision Electronics Co., Ltd.	1	Purchases	1,670,681	"	2
0	"	Fu Rui Precision Components (Kunshan) Co., Ltd	1	Purchases	163,027	"	0
1	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	1,556,611	"	2
1	"	"	3	Accounts receivable	493,370	"	0
1	"	Fuzhun Precision (Hebi) Electronics Co., Ltd.	3	Sales	570,818	"	1
1	"	"	3	Accounts receivable	324,692	"	0
2	Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	4,235,048	"	5
2	"	"	3	Accounts receivable	2,517,176	"	2
3	Fuzhun Precision (Hebi) Electronics Co., Ltd.	"	3	Sales	517,966	"	1
3	"	"	3	Accounts receivable	153,187	"	0
3	"	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	3	Sales	417,391	"	1
4	Foxconn Technology Pte. Ltd.	"	3	Sales	5,372,860	"	7
4	"	"	3	Accounts receivable	1,216,215	"	1
4	"	FTC Technology Inc.	3	Sales	116,175	"	0
	"	Fuzhun Precision (Hebi) Electronics Co., Ltd.	3	Other receivables	261,551	"	0
5	Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	235,408	"	0
6	YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	3	Sales	849,696	"	1
6	"	"	3	Accounts receivable	357,049	"	0
7	High Tempo International Ltd.	Fu Rui Precision Components (Kunshan) Co., Ltd	2	Accounts receivable	595,641	"	0

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: Disclosure standard of transactions between the Company and subsidiaries is when purchases, sales and receivables (payables) from (to) related parties account for at least NT\$100,000 or 20% of capital. Relative related are not disclosed.

Note 4: The prices and terms to related parties were not significantly different from transactions with third parties, except for particular transactions with no similar transactions to compare with. For these transactions, the prices were determined in accordance with mutual agreements.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Foxconn Technology Co., Ltd and Subsidiaries

Information on investees

Year ended December 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Note
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Foxconn Technology Co., Ltd.	Foxconn Precision Components Holding Co., Ltd.	Cayman Islands	Investment holding	\$ 492,742	\$ 492,742	135,839,643	100	\$ 14,945,546	\$ 1,121,126	\$ 1,121,126	
Foxconn Technology Co., Ltd.	Q-Run Holdings Ltd.	Cayman Islands	Investment holding	9,851,192	9,851,192	480,077,600	100	94,226,591	8,886,042	8,886,042	
Foxconn Technology Co., Ltd.	Huazhun Investment Co., Ltd.	Taiwan	Investment	1,115,037	1,201,896	125,478,000	100	1,640,527	36,047	36,047	
Foxconn Technology Co., Ltd.	Syntrend Creative Park Co., Ltd.	Taiwan	Retail of office machinery and equipment and electronic appliances, and information software services.	490,322	390,322	49,032,250	20	330,715	(202,528)	(40,424)	

Note: Besides Foxconn Precision Components Holding Co., Ltd., Q-Run Holdings Ltd. and Huazhun Investment Co., Ltd. are subsidiaries of the Company, Atkinson Holdings Ltd., Q-Run Far East Corporation, World Trade Trading Ltd., High Tempo International Ltd., FTC Technology Inc., Foxconn Technology Pte. Ltd., Kenny International Ltd., Double Wealth Profits Ltd., Precious Star International Ltd., Eastern Star Limited., Foreign Technology Ltd., Topfry Industrial Ltd., Gold Glory International Ltd., New Glory Holdings Ltd., FTP Technology Inc., Fu Rui Precision Components (Kunshan) Co., Ltd., Fuzhun Precision (Shenzhen) Industry Co., Ltd., Fuyu Technology (Nanyang) Co., Ltd., Hon Fujin Precision Industry (Taiyuan) Co., Ltd., Fuzhun Precision (Hebi) Electronics Co., Ltd., Qingdao Hiyn Materials Co., Ltd., Fuhuigang Industrial (Shenzhen) Co., Ltd., Fu Yu Precision Components (Kunshan) Co., Ltd., YanTai Fuzhun Precision Electronics Co., Ltd. and Nanning Funing Precision Electronics Co., Ltd. are subsidiaries of the Company as well.

Foxconn Technology Co., Ltd and Subsidiaries
Information on investees in Mainland China
Year ended December 31, 2016

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fuhuigang Industrial (Shenzhen) Co., Ltd.	Computer case – electronic and electrical components	\$ 250,163	2	\$ 250,163	\$ -	\$ -	\$ 250,163	\$ 8,156	100	\$ 8,156	\$ 432,192	\$ -	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Manufacturing and marketing of power plug and wall socket, micro ribbon connectors for terminals, etc.	1,263,362	2	634,874	-	-	634,874	702,320	100	702,320	4,048,587	-	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	628,875	2	64,500	-	-	64,500	141,567	100	141,567	4,735,781	-	
Fu Rui Precision Components (Kunshan) Co., Ltd.	Electrical board components processing; manufacturing and marketing of optoelectronics and computer cables	396,385	2	254,259	-	-	254,259	92,293	100	92,293	1,863,497	-	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Manufacturing and marketing of computer components and related peripherals, computer cases and metal stamping	13,222,500	2	4,498,875	-	-	4,498,875	7,179,381	100	7,179,381	31,017,974	-	
Nanning Funing Precision Electronics Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	316,050	2	-	-	-	-	339,487	100	339,487	2,245,957	-	
YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case - electronic and electrical components	1,273,875	2	1,273,875	-	-	1,273,875	97,345	100	97,345	381,805	-	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	New alloy material, precision molds, new electronic components, portable computers and their components	4,763,325	2	1,602,825	-	-	1,602,825	588,509	100	588,509	5,586,945	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the	
		Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
Foxconn Technology Co., Ltd.	\$ 8,579,371	\$ 23,002,829	\$ -

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in Q-Run Holdings Ltd. or Foxconn Precision Components Holding Co., Ltd., which then invested in Mainland China.

(3) Others.

Note 2: Investment profit or loss for the period was recognized based on the Mainland investees' financial statements which were audited by independent accountants.

Note 3: Pursuant to the amended 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company from May 21, 2015 to May 20, 2018.

Note 4: The Company needs no approval by Investment Commission of the Ministry of Economic Affairs for investment in Qingdao Hiyn Materials Co., Ltd. and Fuyu Technology (Nanyang) Co., Ltd., which were reinvested through an existing company in Mainland China.