

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

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

JUNE 30, 2017 AND 2016

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.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of
Foxconn Technology Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Foxconn Technology Co., Ltd. and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, of changes in equity and of cash flows for the six-month periods ended June 30, 2017 and 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Notes 4(3) and 6(8), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method, which statements reflect total assets (including investments accounted for under equity method) of \$27,182,806 and \$28,034,099, constituting 15% and 23% of the consolidated total assets, and total liabilities of \$5,114,136 and \$4,490,420, constituting 10% and 13% of the consolidated total liabilities as of June 30, 2017 and 2016, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive income of associates and joint ventures accounted for under the equity method) of \$484,996, \$192,518, \$493,452 and \$285,109, constituting 55%, 14%, 2% and 13% of the consolidated total comprehensive income for the three-month and six-month periods then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of June 30, 2017 and 2016.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries, investments accounted for under the equity method and the information disclosed in Note 13 been audited or reviewed by independent accountants and the omission of certain additional disclosures relating to the investee companies, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Rules Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission (FSC).

Hsu, Yung-Chien Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 10, 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
JUNE 30, 2017, DECEMBER 31, 2016 AND JUNE 30, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Assets	Notes	June 30, 2017		December 31, 2016		June 30, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 55,598,691	31	\$ 49,024,765	33	\$ 73,924,038	60
1110	Current financial assets at fair value through profit or loss	6(2)	8,970	-	1,984,968	2	2,201	-
1170	Accounts receivable, net	6(4)	12,923,959	7	9,139,763	6	5,942,917	5
1180	Accounts receivable due from related parties, net	7	10,762,733	6	13,492,173	9	13,418,572	11
1200	Other receivables	6(5) and 7	3,561,624	2	3,362,762	2	1,620,881	1
130X	Inventories	6(6)	4,158,184	3	3,429,097	2	3,392,222	3
1470	Other current assets	6(7)	19,477,245	11	19,174,154	13	6,981,945	5
11XX	Total current assets		<u>106,491,406</u>	<u>60</u>	<u>99,607,682</u>	<u>67</u>	<u>105,282,776</u>	<u>85</u>
Non-current assets								
1523	Non-current available-for-sale financial assets	6(3)	59,777,899	34	35,879,251	24	4,134,754	3
1550	Investments accounted for under equity method	6(8)	682,119	-	797,032	1	811,518	1
1600	Property, plant and equipment	6(9) and 7	7,973,564	5	9,150,769	6	10,363,080	8
1760	Investment property, net	6(10)	814,146	-	754,225	-	517,687	1
1840	Deferred tax assets		776,504	-	778,407	1	1,154,876	1
1900	Other non-current assets	6(11)	1,396,144	1	1,284,911	1	1,439,493	1
15XX	Total non-current assets		<u>71,420,376</u>	<u>40</u>	<u>48,644,595</u>	<u>33</u>	<u>18,421,408</u>	<u>15</u>
1XXX	Total assets		<u>\$ 177,911,782</u>	<u>100</u>	<u>\$ 148,252,277</u>	<u>100</u>	<u>\$ 123,704,184</u>	<u>100</u>

(Continued)

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017, DECEMBER 31, 2016 AND JUNE 30, 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2017		December 31, 2016		June 30, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 19,288,210	11	\$ 7,818,924	6	\$ 6,434,115	5
2120	Current financial liabilities at fair value through profit or loss	6(2)	335,551	-	1,503,327	1	578,864	-
2170	Accounts payable		4,661,791	3	6,840,531	5	4,427,281	4
2180	Accounts payable to related parties	7	11,507,163	6	11,899,218	8	6,141,249	5
2200	Other payables	6(13) and 7	15,209,247	9	10,776,793	7	14,660,549	12
2230	Current tax liabilities		798,211	-	1,831,524	1	1,248,114	1
2300	Other current liabilities		75,730	-	130,654	-	97,379	-
21XX	Total current liabilities		<u>51,875,903</u>	<u>29</u>	<u>40,800,971</u>	<u>28</u>	<u>33,587,551</u>	<u>27</u>
Non-current liabilities								
2570	Deferred tax liabilities		1,073,016	1	573,888	-	554,820	1
2600	Other non-current liabilities		180,927	-	131,141	-	114,403	-
25XX	Total non-current liabilities		<u>1,253,943</u>	<u>1</u>	<u>705,029</u>	<u>-</u>	<u>669,223</u>	<u>1</u>
2XXX	Total liabilities		<u>53,129,846</u>	<u>30</u>	<u>41,506,000</u>	<u>28</u>	<u>34,256,774</u>	<u>28</u>
Equity attributable to owners of parent								
Share capital								
3110	Ordinary share	6(15)	14,144,852	8	14,144,852	10	13,950,240	11
3150	Stock dividends to be distributed		-	-	-	-	524,170	1
Capital surplus								
3200	Capital surplus	6(16)	7,792,500	4	7,793,643	5	7,490,440	6
Retained earnings								
3310	Legal reserve	6(17)	10,106,948	6	9,034,837	6	9,034,837	7
3350	Unappropriated retained earnings		56,249,690	32	60,007,688	40	54,313,586	44
Other equity interest								
3400	Other equity interest	6(18)	36,426,955	20	15,691,346	11	4,063,039	3
31XX	Total equity attributable to owners of parent		<u>124,720,945</u>	<u>70</u>	<u>106,672,366</u>	<u>72</u>	<u>89,376,312</u>	<u>72</u>
36XX	Non-controlling interests	6(19)	<u>60,991</u>	<u>-</u>	<u>73,911</u>	<u>-</u>	<u>71,098</u>	<u>-</u>
3XXX	Total equity		<u>124,781,936</u>	<u>70</u>	<u>106,746,277</u>	<u>72</u>	<u>89,447,410</u>	<u>72</u>
Commitments and Contingent Liabilities								
3X2X	Total liabilities and equity		<u>\$ 177,911,782</u>	<u>100</u>	<u>\$ 148,252,277</u>	<u>100</u>	<u>\$ 123,704,184</u>	<u>100</u>

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2017		2016		2017		2016	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 22,098,674	100	\$ 19,235,579	100	\$ 40,643,560	100	\$ 36,638,402	100
5000 Operating costs	6(6)(23) and 7	(19,566,068)	(88)	(15,193,568)	(79)	(36,416,631)	(90)	(28,946,259)	(79)
5900 Gross profit from operations		<u>2,532,606</u>	<u>12</u>	<u>4,042,011</u>	<u>21</u>	<u>4,226,929</u>	<u>10</u>	<u>7,692,143</u>	<u>21</u>
Operating expenses	6(23) and 7								
6100 Selling expenses		(136,169)	(1)	(180,575)	(1)	(264,372)	(1)	(305,952)	(1)
6200 Administrative expenses		(248,544)	(1)	(191,549)	(1)	(457,929)	(1)	(451,085)	(1)
6300 Research and development expenses		(257,641)	(1)	(123,053)	(1)	(487,245)	(1)	(343,871)	(1)
6000 Total operating expenses		(<u>642,354</u>)	(3)	(<u>495,177</u>)	(3)	(<u>1,209,546</u>)	(3)	(<u>1,100,908</u>)	(3)
6900 Net operating income		<u>1,890,252</u>	<u>9</u>	<u>3,546,834</u>	<u>18</u>	<u>3,017,383</u>	<u>7</u>	<u>6,591,235</u>	<u>18</u>
Non-operating income and expenses									
7010 Other income	6(21)	419,452	2	337,468	2	1,053,620	3	682,154	2
7020 Other gains and losses	6(22)	(75,088)	(1)	125,318	-	(580,638)	(2)	(220,097)	-
7050 Finance costs		(26,086)	-	(9,555)	-	(61,095)	-	(35,504)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(8)	(<u>59,942</u>)	-	(<u>260,483</u>)	(1)	(<u>85,791</u>)	-	(<u>284,910</u>)	(1)
7000 Total non-operating income and expenses		<u>258,336</u>	<u>1</u>	<u>192,748</u>	<u>1</u>	<u>326,096</u>	<u>1</u>	<u>141,643</u>	<u>1</u>
7900 Profit before income tax		2,148,588	10	3,739,582	19	3,343,479	8	6,732,878	19
7950 Tax expense	6(25)	(<u>483,823</u>)	(2)	(<u>1,167,969</u>)	(6)	(<u>664,731</u>)	(1)	(<u>1,715,754</u>)	(5)
8200 Profit		<u>\$ 1,664,765</u>	<u>8</u>	<u>\$ 2,571,613</u>	<u>13</u>	<u>\$ 2,678,748</u>	<u>7</u>	<u>\$ 5,017,124</u>	<u>14</u>

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2017		2016		2017		2016	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Components of other comprehensive income that will be reclassified to profit or loss	6(18)(19)								
8361 Exchange differences on translation		\$ 1,079,812	5	(\$ 1,059,885)	(5)	(\$ 4,250,516)	(10)	(\$ 2,699,484)	(8)
8362 Unrealised gains (losses) on valuation of available-for-sale financial assets		(1,867,492)	(9)	(126,750)	(1)	24,983,614	61	(63,391)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		(787,680)	(4)	(1,186,635)	(6)	20,733,098	51	(2,762,875)	(8)
8500 Total comprehensive income		<u>\$ 877,085</u>	<u>4</u>	<u>\$ 1,384,978</u>	<u>7</u>	<u>\$ 23,411,846</u>	<u>58</u>	<u>\$ 2,254,249</u>	<u>6</u>
Profit (loss) attributable to:									
8610 Owners of parent		\$ 1,668,989	8	\$ 2,570,462	13	\$ 2,689,157	7	\$ 5,024,769	14
8620 Non-controlling interests		(4,224)	-	1,151	-	(10,409)	-	(7,645)	-
		<u>\$ 1,664,765</u>	<u>8</u>	<u>\$ 2,571,613</u>	<u>13</u>	<u>\$ 2,678,748</u>	<u>7</u>	<u>\$ 5,017,124</u>	<u>14</u>
Comprehensive income (loss) attributable to:									
8710 Owners of parent		\$ 880,154	4	\$ 1,385,664	7	\$ 23,424,766	58	\$ 2,264,854	6
8720 Non-controlling interests		(3,069)	-	(686)	-	(12,920)	-	(10,605)	-
		<u>\$ 877,085</u>	<u>4</u>	<u>\$ 1,384,978</u>	<u>7</u>	<u>\$ 23,411,846</u>	<u>58</u>	<u>\$ 2,254,249</u>	<u>6</u>
Earnings per share (in dollars)	6(26)								
9750 Basic earnings per share		<u>\$ 1.18</u>		<u>\$ 1.82</u>		<u>\$ 1.90</u>		<u>\$ 3.57</u>	
9850 Diluted earnings per share		<u>\$ 1.17</u>		<u>\$ 1.81</u>		<u>\$ 1.89</u>		<u>\$ 3.54</u>	

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 SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	Equity attributable to owners of the parent									
		Capital			Retained Earnings			Other Equity Interest			
		Ordinary share	Stock dividends to be distributed	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Non-controlling interests	Total equity
<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
Appropriation and distribution of 2015 retained earnings:	6(17)										
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		-	384,668	-	-	-	-	-	384,668	-	384,668
Profit (loss)		-	-	-	-	5,024,769	-	-	5,024,769	(7,645)	5,017,124
Other comprehensive loss	6(18)	-	-	-	-	-	(2,696,524)	(63,391)	(2,759,915)	(2,960)	(2,762,875)
Changes in equity of associates and joint ventures accounted for using equity method		-	-	20,207	-	-	-	-	20,207	-	20,207
Balance at June 30, 2016		<u>\$ 13,950,240</u>	<u>\$ 524,170</u>	<u>\$ 7,490,440</u>	<u>\$ 9,034,837</u>	<u>\$ 54,313,586</u>	<u>\$ 3,808,070</u>	<u>\$ 254,969</u>	<u>\$ 89,376,312</u>	<u>\$ 71,098</u>	<u>\$ 89,447,410</u>
<u>2017</u>											
Balance at January 1, 2017		\$ 14,144,852	\$ -	\$ 7,793,643	\$ 9,034,837	\$ 60,007,688	\$ 1,580,117	\$ 14,111,229	\$ 106,672,366	\$ 73,911	\$ 106,746,277
Appropriation and distribution of 2016 retained earnings:	6(17)										
Legal reserve		-	-	-	1,072,111	(1,072,111)	-	-	-	-	-
Cash dividends		-	-	-	-	(5,375,044)	-	-	(5,375,044)	-	(5,375,044)
Profit (loss)		-	-	-	-	2,689,157	-	-	2,689,157	(10,409)	2,678,748
Other comprehensive income (loss)	6(18)	-	-	-	-	-	(4,248,005)	24,983,614	20,735,609	(2,511)	20,733,098
Changes in equity of associates and joint ventures accounted for using equity method		-	-	(1,143)	-	-	-	-	(1,143)	-	(1,143)
Balance at June 30, 2017		<u>\$ 14,144,852</u>	<u>\$ -</u>	<u>\$ 7,792,500</u>	<u>\$ 10,106,948</u>	<u>\$ 56,249,690</u>	<u>(\$ 2,667,888)</u>	<u>\$ 39,094,843</u>	<u>\$ 124,720,945</u>	<u>\$ 60,991</u>	<u>\$ 124,781,936</u>

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

FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,343,479	\$ 6,732,878
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation (including investment property)	6(23)	1,196,918	1,248,324
Amortization	6(23)	10,297	13,227
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)	808,221	1,086,514
Loss on disposal of property, plant and equipment	6(22)	20,459	40,044
Interest expense		61,095	35,504
Interest income	6(21)	(683,646)	(515,887)
Share of loss of associates and joint ventures accounted for using equity method	6(8)	85,791	284,910
Loss on disposal of investments	6(22)	-	88,852
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable, net		(3,920,915)	(105,568)
Accounts receivable due from related parties		2,042,865	5,825,066
Other receivables		(150,372)	(591,456)
Inventories		(781,753)	564,545
Other current assets		(2,391)	107,241
Other non-current assets		(5,574)	55
Net changes in liabilities relating to operating activities			
Accounts payable		(1,908,306)	252,881
Accounts payable to related parties		(71,995)	(5,204,420)
Other payables		(368,842)	(4,349,352)
Other current liabilities		137,491	15,215
Other non-current liabilities		84,720	(13,450)
Cash (outflow) inflow generated from operations		(102,458)	5,515,123
Income taxes paid		(1,127,584)	(899,003)
Net cash flows (used in) from operating activities		(1,230,042)	4,616,120

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of investments accounted for using equity method		\$ -	\$ 126,521
Proceeds from capital reduction of investments accounted for using equity method	6(8)	-	189,293
Prepayments for investments	(	161,128)	-
(Increase) decrease in other financial assets	(	1,019,656)	9,673,187
Acquisition of property, plant and equipment	6(27) (	847,721)	(735,693)
Proceeds from disposal of property, plant and equipment	6(27)	71,262	30,858
(Increase) decrease in net receivable/payable on raw materials	(	13,767)	703,660
Interest received		<u>668,247</u>	<u>527,193</u>
Net cash flows (used in) from investing activities	(	<u>1,302,763)</u>	<u>10,515,019</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid	(	56,352)	(50,072)
Increase in short-term loans		<u>11,591,268</u>	<u>6,510,888</u>
Net cash flows from financing activities		<u>11,534,916</u>	<u>6,460,816</u>
Effect of changes in foreign currency exchange rates on cash	(	<u>2,428,185)</u>	<u>(1,605,368)</u>
Net increase in cash and cash equivalents		6,573,926	19,986,587
Cash and cash equivalents at beginning of period		<u>49,024,765</u>	<u>53,937,451</u>
Cash and cash equivalents at end of period		<u>\$ 55,598,691</u>	<u>\$ 73,924,038</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 SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

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 as 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 reported to the Board of Directors and issued on August 10, 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”)

New standards, interpretations and amendments 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
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 financial performance based on the Group's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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
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 financial performance 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. 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.

(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 endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.	
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.	

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 Accounting Standards 34, "Interim financial reporting" endorsed by the FSC.

(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 recognised 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 recognised in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2017	December 31, 2016	June 30, 2016	
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	100	(a)
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	100	
Foxconn Technology Co., Ltd.	Huazhun Investment Co., Ltd.	Investment holdings in R.O.C. companies	100	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30,	December 31,	June 30,	
			2017	2016	2016	
Foxconn Precision Components Holding Co., Ltd.	Atkinson Holdings Ltd.	Investment holding and reinvestment	100	100	100	(a)
Q-RUN Holdings Ltd.	Q-RUN Far East Corporation	Investment holding and reinvestment	100	100	100	
Q-RUN Holdings Ltd.	World Trade Trading Ltd.	Investment holding and reinvestment	100	100	100	
Q-RUN Holdings Ltd.	High Tempo International Ltd.	Investment holding and reinvestment	100	100	100	
Q-RUN Holdings Ltd.	FTC Technology Inc.	Investment holding and reinvestment	100	100	100	(a)
Q-RUN Holdings Ltd.	Foxconn Technology Pte. Ltd.	Sales, investment holdings and reinvestment	100	100	100	
Atkinson Holdings Ltd.	Kenny International Ltd.	Investment holding and reinvestment	100	100	100	(a)
Atkinson Holdings Ltd.	Double Wealth Profits Ltd.	Investment holding and reinvestment	100	100	100	(a)
Atkinson Holdings Ltd.	Precious Star International Ltd.	Investment holding and reinvestment	100	100	100	(a)
Q-RUN Far East Corporation	Eastern Star Limited	Investment holding and reinvestment	100	100	100	
Q-RUN Far East Corporation	Foreign Technology Ltd.	Investment holding and reinvestment	100	100	100	(a)
Q-RUN Far East Corporation	Topfry Industrial Ltd.	Investment holding and reinvestment	100	100	100	(a)

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2017	December 31, 2016	June 30, 2016	
Q-RUN Far East Corporation	Gold Glory International Ltd.	Investment holding and reinvestment	100	100	100	(a)
Q-RUN Far East Corporation	New Glory Holdings Ltd.	Investment holding and reinvestment	100	100	100	(a)
Foxconn Technology Pte. Ltd.	FTP Technology Inc.	Investment holding and reinvestment	100	100	100	(a)
Kenny International Ltd.	Fu Rui Precision Components (Kunshan) Co., Ltd.	Electrical board components processing; manufacturing and marketing of optoelectronics and computer cables	100	100	100	(a)
Double Wealth Profits Ltd.	Fuzhun Precision Industry Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	100	100	100	(a)
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	100	(a)
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	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	100	(a)
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	12.37	

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2017	December 31, 2016	June 30, 2016	
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 electroplating)	70	70	70	(a)
Topfry Industrial Ltd.	Fuhuigang Industrial (Shenzhen) Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	100	(a)
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	100	(a)
New Glory Holdings Limited	YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	100	(a)
New Glory Holdings Limited	Nanning Funing Precision Electronics Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	100	100	100	(a)

(a) As the aforementioned subsidiaries do not meet the definition of significant subsidiaries, their financial statements for the second quarter of 2017 and 2016 were not reviewed by independent accountants.

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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

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, even the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still 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 definition above 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 or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(9) 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 recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

(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) It becomes probable that the borrower will enter bankruptcy or other 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;
 - (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 recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average 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 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity are not recognised 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 recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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 part of an item of property, plant, and equipment with a cost 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 reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings and structures

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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. 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 amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised 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 recognised initially at fair value and subsequently measured at amortised 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 recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(21) Derecognition of financial liabilities

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

(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 recognised 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 recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of 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.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognised 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 paid 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or

items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(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 KEY SOURCES OF ASSUMPTION 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(2) Critical accounting estimates and assumptions

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 using 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 June 30, 2017, the carrying amount of inventories was \$4,158,184.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand and revolving funds	\$ 3,791	\$ 371	\$ 389
Checking accounts and demand deposits	42,241,799	38,046,767	48,185,203
Cash equivalents			
Time deposits	13,292,101	10,916,627	25,738,446
Repurchase Agreement Bond	61,000	61,000	-
	<u>\$ 55,598,691</u>	<u>\$ 49,024,765</u>	<u>\$ 73,924,038</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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current items:			
Forward exchange contracts	\$ 8,970	\$ -	\$ -
Cross currency swap contracts	-	1,737,730	2,201
Foreign exchange contracts	-	247,238	-
	<u>\$ 8,970</u>	<u>\$ 1,984,968</u>	<u>\$ 2,201</u>
<u>Liabilities</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current items:			
Forward exchange contracts	\$ -	\$ 1,503,327	\$ -
Cross currency swap contracts	-	-	545,750
Foreign exchange contracts	335,551	-	33,114
	<u>\$ 335,551</u>	<u>\$ 1,503,327</u>	<u>\$ 578,864</u>

A. Due to the financial assets and liabilities recognized above for the three-month and six-month periods ended June 30, 2017 and 2016, the Group recognized net profit of \$111,045, loss of

\$535,986, loss of \$550,333 and loss of \$678,466, respectively (including unrealised loss on valuation of \$152,938, \$963,390, \$808,221 and \$1,086,514, 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:

June 30, 2017			
Derivative Financial Assets	Contract amount (Nominal Principal in thousands)		Contract period
Current items:			
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 (BUY)	30,000	2017/06~2017/07
	CNH (SELL)	205,656	
December 31, 2016			
Derivative Financial Assets	Contract amount (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		

June 30, 2016			
Derivative Financial Assets	Contract amount (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)	6,428,876	2016/04~2016/10
	USD (BUY)	198,689	
	TWD (SELL)	564,000	2016/05~2016/11
	USD (BUY)	17,438	

(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	June 30, 2017	December 31, 2016	June 30, 2016
Non-current items:			
Listed and emerging stocks	\$ 20,378,856	\$ 21,445,522	\$ 3,556,985
Foreign investment fund	304,200	322,500	322,800
Adjustment of available-for-sale financial assets	<u>39,094,843</u>	<u>14,111,229</u>	<u>254,969</u>
	<u>\$ 59,777,899</u>	<u>\$ 35,879,251</u>	<u>\$ 4,134,754</u>

A. Q-RUN Holdings Limited, a subsidiary of the Company, has disposed 7,737 thousand shares, 6,097 thousand shares 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\$255 thousand).

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 with ¥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. The Group recognized net loss or gain in other comprehensive income for fair value change for the three-month and six-month periods ended June 30, 2017 and 2016. Please refer to Note 6(18) for details.

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

(4) Accounts receivable

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	\$ 3,514	\$ 4,686	\$ 14,091
Accounts receivable	12,990,887	9,206,431	5,993,279
Less: Allowance for sales discounts	(70,442)	(71,354)	(64,453)
	<u>\$ 12,923,959</u>	<u>\$ 9,139,763</u>	<u>\$ 5,942,917</u>

The Group does not hold any collateral as security.

(5) Other receivables

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Receivable from purchases made on behalf of others	\$ 3,051,129	\$ 2,792,119	\$ 964,522
Receivable from disposal of equipment	57,997	86,669	6,951
Receivable from disposal of investment	-	-	159,482
Interest receivable	44,464	29,065	63,960
Others	408,034	454,909	425,966
	<u>\$ 3,561,624</u>	<u>\$ 3,362,762</u>	<u>\$ 1,620,881</u>

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

(6) Inventories

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Raw materials	\$ 1,394,182	\$ 514,117	\$ 893,028
Work in process	1,745,786	464,058	1,439,974
Finished goods	1,191,126	2,680,869	1,349,379
	4,331,094	3,659,044	3,682,381
Less: Allowance for inventory obsolescence and market price decline	(172,910)	(229,947)	(290,159)
	<u>\$ 4,158,184</u>	<u>\$ 3,429,097</u>	<u>\$ 3,392,222</u>

The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Cost of inventories sold	\$ 19,687,269	\$ 15,512,508
Gain on inventory obsolescence and market price decline	(34,535)	(278,502)
Revenue from sale of scraps	(86,666)	(40,438)
	<u>\$ 19,566,068</u>	<u>\$ 15,193,568</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Cost of inventories sold	\$ 36,656,401	\$ 29,564,137
Gain on inventory obsolescence and market price decline	(49,287)	(562,098)
Revenue from sale of scraps	(190,483)	(55,780)
	<u>\$ 36,416,631</u>	<u>\$ 28,946,259</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 three-month and six-month periods ended June 30, 2017 and 2016.

(7) Other current assets

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Capital guarantee financial products	\$ 12,384,120	\$ 13,852,788	\$ 6,777,050
Prepaid expenses	80,348	42,022	65,156
Overpaid sales tax	67,071	79,830	72,313
Time deposits with maturity over three months	6,935,341	5,176,581	48,581
Others	10,365	22,933	18,845
	<u>\$ 19,477,245</u>	<u>\$ 19,174,154</u>	<u>\$ 6,981,945</u>

The Group has signed a contract for capital guarantee financial products with the bank for the six-months periods ended June 30, 2017 and 2016, and the rate of return is between 3.0%~3.2% and 3.8%~5.2%, respectively.

(8) Investments accounted for using equity method

<u>Items</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
FSK Holdings Limited	\$ 356,053	\$ 453,782	\$ 548,372
Syntrend Creative Park Co., Ltd.	315,338	330,715	248,757
Foxstar Technology Co., Ltd.	10,728	12,535	14,389
	<u>\$ 682,119</u>	<u>\$ 797,032</u>	<u>\$ 811,518</u>

A. Investment profit or loss for the period was recognized based on the investees' financial statements

which were not reviewed by independent accountants.

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, the carrying amount of the Group's individually immaterial associates amounted to \$682,119, \$797,032 and \$811,518, respectively.

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Net loss for the period (total comprehensive loss)	(\$ 59,942)	(\$ 260,483)
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Net loss for the period (total comprehensive loss)	(\$ 85,791)	(\$ 284,910)

- C. In September 2016, the Group increased investment in Syntrend Creative Park Co., Ltd. in the amount of \$100,000.
- D. In February 2016, FSK Holdings Limited conducted capital reduction by returning \$189,293 (US\$5,712 thousand) of share capital.
- E. Wheego Electric Cars, Inc. repurchased the shares, equivalent to 11.65% equity interest, that the Group held in March, 2016. Repurchase price was US\$3,818 thousand and loss on disposal of investment was \$81,361 (US\$2,455 thousand) (shown as "other gains and losses").

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Others	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2017</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>
<u>2017</u>						
Opening net book amount as at January 1	\$ 51,850	\$ 3,296,016	\$ 4,633,166	\$ 794,423	\$ 375,314	\$ 9,150,769
Additions	-	50,807	204,906	153,970	64,998	474,681
Reclassifications	-	-	2,067	2,425	(11,927)	(7,435)
Transfer	-	(112,763)	-	-	-	(112,763)
Disposals	-	(3,598)	(49,379)	(10,072)	-	(63,049)
Depreciation charge	-	(153,652)	(773,636)	(237,112)	-	(1,164,400)
Net exchange differences	-	(109,785)	(157,335)	(25,986)	(11,133)	(304,239)
Closing net book amount as at June 30	<u>\$ 51,850</u>	<u>\$ 2,967,025</u>	<u>\$ 3,859,789</u>	<u>\$ 677,648</u>	<u>\$ 417,252</u>	<u>\$ 7,973,564</u>
<u>At June 30, 2017</u>						
Cost	\$ 51,850	\$ 7,520,137	\$ 24,361,916	\$ 4,738,971	\$ 417,252	\$ 37,090,126
Accumulated depreciation	-	(4,553,112)	(20,502,127)	(4,061,323)	-	(29,116,562)
	<u>\$ 51,850</u>	<u>\$ 2,967,025</u>	<u>\$ 3,859,789</u>	<u>\$ 677,648</u>	<u>\$ 417,252</u>	<u>\$ 7,973,564</u>

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Others</u>	<u>Construction in progress and equipment under acceptance</u>	<u>Total</u>
<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	-	63,978	108,263	98,166	273,355	543,762
Reclassifications	-	-	329,628	10,579	(343,122)	(2,915)
Transfer	-	(393,955)	-	-	-	(393,955)
Disposals	-	-	(71,911)	(2,152)	-	(74,063)
Depreciation charge	-	(210,129)	(904,877)	(126,960)	-	(1,241,966)
Net exchange differences	-	(162,122)	(283,968)	(22,474)	(22,278)	(490,842)
Closing net book amount						
as at June 30	<u>\$ 51,850</u>	<u>\$ 3,888,990</u>	<u>\$ 5,314,057</u>	<u>\$ 544,169</u>	<u>\$ 564,014</u>	<u>\$ 10,363,080</u>
<u>At June 30, 2016</u>						
Cost	\$ 51,850	\$ 8,972,143	\$ 24,298,163	\$ 4,364,217	\$ 564,014	\$ 38,250,387
Accumulated depreciation	-	(5,083,153)	(18,984,106)	(3,820,048)	-	(27,887,307)
	<u>\$ 51,850</u>	<u>\$ 3,888,990</u>	<u>\$ 5,314,057</u>	<u>\$ 544,169</u>	<u>\$ 564,014</u>	<u>\$ 10,363,080</u>

(10) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2017</u>			
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>2017</u>			
Opening net book amount as at January 1	\$ 95,910	\$ 658,315	\$ 754,225
Transfer	-	112,763	112,763
Depreciation charge	-	(32,518)	(32,518)
Net exchange differences	-	(20,324)	(20,324)
Closing net book amount as at June 30	<u>\$ 95,910</u>	<u>\$ 718,236</u>	<u>\$ 814,146</u>
<u>At June 30, 2017</u>			
Cost	\$ 95,910	\$ 1,424,096	\$ 1,520,006
Accumulated depreciation and impairment	-	(705,860)	(705,860)
	<u>\$ 95,910</u>	<u>\$ 718,236</u>	<u>\$ 814,146</u>
	<u>Land</u>	<u>Buildings and structures</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>
<u>2016</u>			
Opening net book amount as at January 1	\$ 95,910	\$ 46,513	\$ 142,423
Transfer	-	393,955	393,955
Depreciation charge	-	(6,358)	(6,358)
Net exchange differences	-	(12,333)	(12,333)
Closing net book amount as at June 30	<u>\$ 95,910</u>	<u>\$ 421,777</u>	<u>\$ 517,687</u>
<u>At June 30, 2016</u>			
Cost	\$ 95,910	\$ 475,391	\$ 571,301
Accumulated depreciation and impairment	-	(41,281)	(41,281)
Net exchange differences	-	(12,333)	(12,333)
	<u>\$ 95,910</u>	<u>\$ 421,777</u>	<u>\$ 517,687</u>

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Rental income from investment property	\$ 26,004	\$ 19,178
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 17,748</u>	<u>\$ 6,039</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Rental income from investment property	\$ 47,364	\$ 24,459
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 32,518</u>	<u>\$ 6,358</u>

B. The fair value of the investment property held by the Group as at June 30, 2017, December 31, 2016 and June 30, 2016 was \$1,278,945, \$1,144,801 and \$824,503, respectively. Valuations were made using the income approach which is categorized within Level 3 in the fair value hierarchy.

(11) Other non-current assets

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Receivable from payment on behalf of others	\$ 584,534	\$ 604,570	\$ 632,878
Long-term prepaid rents	553,120	579,116	613,600
Prepayments for investment	161,128	-	-
Prepayments for equipment	51,828	60,607	140,174
Other assets	45,534	40,618	52,841
	<u>\$ 1,396,144</u>	<u>\$ 1,284,911</u>	<u>\$ 1,439,493</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 \$ 3,341, \$3,758, \$6,764 and \$7,600 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

(12) Short-term borrowings

Type of borrowings	June 30, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 19,099,756	0.55%~1.8%	None
Other short-term borrowings	188,454	4.35%~5%	"
	<u>\$ 19,288,210</u>		
Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 7,577,602	0.83%~1.29%	None
Other short-term borrowings	241,322	4.35%~5%	"
	<u>\$ 7,818,924</u>		
Type of borrowings	June 30, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 6,230,075	0.62%~0.91%	None
Other short-term borrowings	204,040	4.35%	"
	<u>\$ 6,434,115</u>		

The Group has signed an agreement to offset financial assets and liabilities with financial institutions. Details of the offset as of June 30, 2017, December 31, 2016 and June 30, 2016 are as follows:

June 30, 2017		
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets in the balance sheet	Net amount of financial liabilities presented in the balance sheet
<u>\$ 139,233</u>	<u>\$ 139,233</u>	<u>\$ -</u>
December 31, 2016		
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets in the balance sheet	Net amount of financial liabilities presented in the balance sheet
<u>\$ 2,079,191</u>	<u>\$ 2,079,191</u>	<u>\$ -</u>
June 30, 2016		
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets in the balance sheet	Net amount of financial liabilities presented in the balance sheet
<u>\$ 841,429</u>	<u>\$ 841,429</u>	<u>\$ -</u>

(13) Other payables

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Dividends payable	\$ 5,375,044	\$ -	\$ 4,185,072
Payable for purchases made on behalf of others	2,854,623	2,609,380	1,795,707
Awards and salaries payable	1,716,096	2,798,380	2,545,928
Employees' bonus payable	1,068,451	960,413	715,429
Consumption goods expense payable	600,903	739,289	748,384
Payable on module expense	447,334	1,044,673	1,252,607
Payables for equipment	354,889	727,929	383,183
Freight payable	129,064	74,493	106,923
Processing fees payable	185,299	549,563	1,601,803
Others	2,477,544	1,272,673	1,325,513
	<u>\$ 15,209,247</u>	<u>\$ 10,776,793</u>	<u>\$ 14,660,549</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) For the aforementioned pension plan, the Group recognised pension costs of \$468, \$481, \$947 and \$976 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.
- (c) 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 the Group contributes 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 does not have further pension liabilities.

- (c) The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2017 and 2016 were \$179,131, \$229,122, \$370,062 and \$482,965, respectively.

(15) Share capital

- A. As of June 30, 2017, the Company's authorized capital was \$15,000,000 (including subscription warrant or 50 million shares reserved for convertible bonds issued by the Company), outstanding ordinary shares were 1,414,485 thousand shares with a par value of \$10 (in dollars) per share, and the paid-in capital was \$14,144,852.
- B. The stockholders at their annual stockholders' meeting in June 2016 adopted a resolution to issue new shares of 19,461 thousand shares (including new shares of 5,511 thousand shares for employees' compensation) through capitalisation of unappropriated earnings of \$139,502 and employees' compensation of \$384,668.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus 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 surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, current year's earnings must be distributed in the following order:
 - (a) Covering accumulated deficit;
 - (b) Setting aside as legal reserve equal to 10% of current year's net income after tax and distribution pursuant to clause (A);
 - (c) Setting aside a special reserve in accordance with applicable legal 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 such legal reserve amount reaches the total authorized 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 2016 and 2015 had been resolved at the stockholders' meeting on June 22, 2017 and June 22, 2016, respectively. Details are summarized below:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,072,111	-	\$ 1,219,824	-
Stock dividends	-	-	139,502	0.1
Cash dividends	<u>5,375,044</u>	3.8	<u>4,185,072</u>	3.0
	<u>\$ 6,447,155</u>		<u>\$ 5,544,398</u>	

The appropriations of 2016 and 2015 earnings are in agreement with the Board of Directors' proposals on May 10, 2017 and May 12, 2016, 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, please refer to Note 6(24).

(18) Other equity items

	Available-for-sale investment	Currency translation adjustments	Total
At January 1, 2017	\$ 14,111,229	\$ 1,580,117	\$ 15,691,346
Gain on valuation of fair value	24,983,614	-	24,983,614
Currency translation differences:			
–Group	-	(4,248,005)	(4,248,005)
At June 30, 2017	<u>\$ 39,094,843</u>	<u>(\$ 2,667,888)</u>	<u>\$ 36,426,955</u>
	Available-for-sale investment	Currency translation adjustments	Total
At January 1, 2016	\$ 318,360	\$ 6,504,594	\$ 6,822,954
Loss on valuation of fair value	(63,391)	-	(63,391)
Currency translation differences:			
–Group	-	(2,696,524)	(2,696,524)
At June 30, 2016	<u>\$ 254,969</u>	<u>\$ 3,808,070</u>	<u>\$ 4,063,039</u>

(19) Non-controlling interests

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
At January 1	\$ 73,911	\$ 81,703
Shares attributable to non-controlling interests:		
Loss for the period	(10,409)	(7,645)
Currency translation differences	(2,511)	(2,960)
At June 30	<u>\$ 60,991</u>	<u>\$ 71,098</u>

(20) Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
3C products (Contain components and related electronic products)	<u>\$ 22,098,674</u>	<u>\$ 19,235,579</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
3C products (Contain components and related electronic products)	<u>\$ 40,643,560</u>	<u>\$ 36,638,402</u>

(21) Other income

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Interest income:		
Interest income from bank deposits	\$ 315,301	\$ 198,739
Interest income from financial products	29,159	52,943
Government grants revenue	9,830	-
Rental revenue	36,458	48,008
Dividend income	-	27,412
Others	28,704	10,366
	<u>\$ 419,452</u>	<u>\$ 337,468</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Interest income:		
Interest income from bank deposits	\$ 614,463	\$ 435,536
Interest income from financial products	69,183	80,351
Government grants revenue	23,382	-
Rental revenue	97,783	87,223
Dividend income	-	27,412
Others	248,809	51,632
	<u>\$ 1,053,620</u>	<u>\$ 682,154</u>

(22) Other gains and losses

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Net gains on financial assets at fair value through profit or loss	\$ 130,828	\$ 43,369
Net losses on financial liabilities at fair value through profit or loss	(19,783)	(579,355)
Net currency exchange (losses) gains	(183,631)	748,844
Gains (losses) on disposal of property, plant and equipment	15,802	(22,949)
Losses on disposal of investment	-	(7,491)
Others	(18,304)	(57,100)
	<u>(\$ 75,088)</u>	<u>\$ 125,318</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Net losses on financial assets at fair value through profit or loss	(\$ 761,503)	(\$ 109,019)
Net gains (losses) on financial liabilities at fair value through profit or loss	211,170	(569,447)
Net currency exchange gains	18,828	650,392
Losses on disposal of property, plant and equipment	(20,459)	(40,044)
Losses on disposal of investments	-	(88,852)
Others	(28,674)	(63,127)
	<u>(\$ 580,638)</u>	<u>(\$ 220,097)</u>

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

(23) Expenses by nature

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Employee benefit expense	\$ 1,627,465	\$ 2,591,901
Depreciation	622,469	561,530
Amortization (including long-term prepaid rent amortization)	5,090	6,497
	<u>\$ 2,255,024</u>	<u>\$ 3,159,928</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Employee benefit expense	\$ 3,713,917	\$ 5,095,317
Depreciation	1,196,918	1,248,324
Amortization (including long-term prepaid rent amortization)	10,297	13,227
	<u>\$ 4,921,132</u>	<u>\$ 6,356,868</u>

(24) Employee benefit expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Wages and salaries	\$ 1,237,524	\$ 2,071,561
Labor and health insurance fees	83,151	104,188
Pension costs	179,599	229,603
Other personnel expenses	127,191	186,549
	<u>\$ 1,627,465</u>	<u>\$ 2,591,901</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Wages and salaries	\$ 2,848,401	\$ 3,991,969
Labor and health insurance fees	172,365	223,323
Pension costs	371,009	483,941
Other personnel expenses	322,142	396,084
	<u>\$ 3,713,917</u>	<u>\$ 5,095,317</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 three-month and six-month periods ended June 30, 2017 and 2016, employees' compensation was accrued at \$91,585, \$149,038, \$134,211 and \$242,078, respectively. The aforementioned amounts were recognised in salary expenses. For the six-month periods ended June 30, 2017 and 2016, the employees' compensation was estimated and accrued based on 4% of profit of current year distributable as of the end of reporting period.

Employees' compensation for 2016 as resolved by the Board of Directors was in agreement with those amounts recognised in the 2016 financial statements. In 2016, the employees' compensation was distributed in the form of cash amounting to \$489,033.

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

Information about employees' compensation 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.

(25) Income tax

A. Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax on profits for the period	\$ 643,865	\$ 1,334,917
Prior year income tax overestimation	(153,871)	(266,918)
Total current tax	489,994	1,067,999
Deferred tax:		
Origination and reversal of temporary differences	(6,171)	99,970
Income tax expense	<u>\$ 483,823</u>	<u>\$ 1,167,969</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax on profits for the period	\$ 889,571	\$ 1,797,000
Prior year income tax overestimation	(153,871)	(266,918)
Total current tax	735,700	1,530,082
Deferred tax:		
Origination and reversal of temporary differences	(70,969)	185,672
Income tax expense	<u>\$ 664,731</u>	<u>\$ 1,715,754</u>

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

C. Unappropriated retained earnings:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Earnings generated in and after 1998	\$ 56,249,690	\$ 60,007,688	\$ 54,313,586

D. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account was \$6,242,555, \$5,856,230 and \$5,792,434, respectively. The creditable tax rate was 10.56% for 2015 and the estimated creditable tax rate is 9.37% for 2016.

(26) Earnings per share

	<u>For the three-month period ended June 30, 2017</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,668,989</u>	1,414,485	<u>\$ 1.18</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,668,989		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	<u>6,094</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,668,989</u>	<u>1,420,579</u>	<u>\$ 1.17</u>
<u>For the three-month period ended June 30, 2016</u>			
	<u>Amount</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>after tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>shares outstanding</u>	<u>(in dollars)</u>
		<u>(shares in thousands)</u>	
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,570,462</u>	1,409,519	<u>\$ 1.82</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,570,462		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	<u>9,838</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,570,462</u>	<u>1,419,357</u>	<u>\$ 1.81</u>

<u>For the six-month period ended June 30, 2017</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,689,157</u>	1,414,485	<u>\$ 1.90</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,689,157		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>6,876</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,689,157</u>	<u>1,421,361</u>	<u>\$ 1.89</u>

<u>For the six-month period ended June 30, 2016</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 5,027,769</u>	1,409,247	<u>\$ 3.57</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,027,769		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>10,047</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,027,769</u>	<u>1,419,294</u>	<u>\$ 3.54</u>

The abovementioned shares were retrospectively adjusted to the weighted average number of shares outstanding through capitalization of earnings as of June 30, 2017.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Purchase of property, plant and equipment	\$ 474,681	\$ 543,762
Add: Opening balance of payable on equipment	727,929	575,114
Less: Ending balance of payable on equipment	(354,889)	(383,183)
Cash paid during the period	<u>\$ 847,721</u>	<u>\$ 735,693</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Disposal of property, plant and equipment	\$ 42,590	\$ 34,019
Add: Opening balance of receivable on equipment	86,669	3,790
Less: Ending balance of receivable on equipment	(57,997)	(6,951)
Cash received during the period	<u>\$ 71,262</u>	<u>\$ 30,858</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Hon Hai Precision Industry Co., Ltd. and Subsidiaries (Hon Hai and Subsidiaries)	Entities with significant influence to the Group
Pan-International Industrial Corporation and Subsidiaries	Other related parties
Eson Precision Ind. Co., Ltd. and Subsidiaries	"
General Interface Solution Holding Limited and Subsidiaries	"
Zhen Ding Technology Co., Ltd. and Subsidiaries	"
CyberTAN Technology Inc. and Subsidiaries	"
Foxsemicon Integrated Technology Inc. and Subsidiaries	"
G-Tech Optoelectronics Corporation and Subsidiaries	"
SIO International Holdings Limited and Subsidiaries	"
UER Technology Corporation	"
Advanced Optoelectronic Technology, Inc.	"
Innolux Corporation and Subsidiaries	"
Foxstar Technology Co., Ltd.	Associate of the Group

(2) Significant related party transactions

A. Sales

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Sales of goods and services:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 6,675,875	\$ 13,955,491
Other related parties	1,712	2,618
Associates	3,725	-
	<u>\$ 6,681,312</u>	<u>\$ 13,958,109</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Sales of goods and services:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 11,594,582	\$ 27,409,101
Other related parties	3,537	2,984
Associates	4,782	-
	<u>\$ 11,602,901</u>	<u>\$ 27,412,085</u>

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

B. Purchases

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Purchases of goods and services:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 16,004,817	\$ 8,311,828
Other related parties	602,329	21,803
	<u>\$ 16,607,146</u>	<u>\$ 8,333,631</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Purchases of goods and services:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 26,206,481	\$ 15,587,395
Other related parties	806,605	50,364
	<u>\$ 27,013,086</u>	<u>\$ 15,637,759</u>

Purchases from related enterprises are based on normal commercial terms and conditions. Purchases of services pertain to processing fees for services from related enterprises.

C. Receivables from related parties

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts receivable:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 10,754,920	\$ 13,489,114	\$ 13,414,222
Other related parties	2,118	3,059	4,350
Associates of the Group	<u>5,695</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,762,733</u>	<u>\$ 13,492,173</u>	<u>\$ 13,418,572</u>

The receivables from related parties arise mainly from sale transaction. 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts payable:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 10,866,768	\$ 11,835,420	\$ 6,114,592
Other related parties	<u>640,395</u>	<u>63,798</u>	<u>26,657</u>
	<u>\$ 11,507,163</u>	<u>\$ 11,899,218</u>	<u>\$ 6,141,249</u>
Processing fees payable:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	<u>\$ 133</u>	<u>\$ 25,299</u>	<u>\$ 1,262,667</u>

The payables to related parties arise mainly from purchase 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 three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Management service fees		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 122,041</u>	<u>\$ 137,610</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Management service fees		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 185,920</u>	<u>\$ 177,643</u>

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Management service fees payable			
Entities with significant influence to the Group			
-Hon Hai and subsidiaries	\$ 2,112	\$ 551	\$ -
Other related parties	<u>-</u>	<u>12,394</u>	<u>39,430</u>
	<u>\$ 2,112</u>	<u>\$ 12,945</u>	<u>\$ 39,430</u>

F. Raw materials purchased on behalf of others

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Raw materials purchased on behalf of others		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 4,107,642</u>	<u>\$ 1,125,660</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Raw materials purchased on behalf of others		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 8,949,146</u>	<u>\$ 1,671,509</u>
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>June 30, 2016</u>	
Receivables for purchases made on behalf of others (shown as "other receivables")		
Entities with significant influence to the Group		
Hon Hai and Subsidiaries	<u>\$ 3,051,129</u>	<u>\$ 2,792,119</u>
		<u>\$ 964,522</u>

G. Property transactions

(a) Acquisition of property:

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 260,495	\$ 10,886
Other related parties	<u>488</u>	<u>-</u>
	<u>\$ 260,983</u>	<u>\$ 10,886</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment:		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	\$ 283,119	\$ 276,433
Other related parties	<u>25,444</u>	<u>14,208</u>
	<u>\$ 308,563</u>	<u>\$ 290,641</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Acquisition of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 316,086	\$ 579,754	\$ 271,865
Other related parties	<u>-</u>	<u>-</u>	<u>4,448</u>
	<u>\$ 316,086</u>	<u>\$ 579,754</u>	<u>\$ 276,313</u>

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

	<u>For the three-month periods ended June 30,</u>			
	<u>2017</u>		<u>2016</u>	
	Proceeds from		Proceeds from	
	sale of property,		sale of property,	
	plant and		plant and	
	<u>equipment</u>	<u>Gain</u>	<u>equipment</u>	<u>Gain</u>
Sale of property, plant and equipment:				
Entities with significant influence to the Group				
-Hon Hai and Subsidiaries	<u>\$ 6,135</u>	<u>\$ 1,834</u>	<u>\$ 13,393</u>	<u>\$ 4,702</u>
	<u>For the six-month periods ended June 30,</u>			
	<u>2017</u>		<u>2016</u>	
	Proceeds from		Proceeds from	
	sale of property,		sale of property,	
	plant and		plant and	
	<u>equipment</u>	<u>Gain</u>	<u>equipment</u>	<u>Gain</u>
Sale of property, plant and equipment:				
Entities with significant influence to the Group				
-Hon Hai and Subsidiaries	<u>\$ 39,908</u>	<u>\$ 10,351</u>	<u>\$ 14,035</u>	<u>\$ 4,830</u>

(d) Outstanding balance of proceeds from sale of property (shown as “other receivables”):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Sale of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 24,331	\$ 38,374	\$ 6,951

H. Rental income

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 from the Group in April, 2016. Lease price is agreed upon by both parties and the Group collects rent monthly from Foxconn (Taiyuan) in accordance with the agreement. The rental income under operating leases for the three-month and six-month periods ended June 30, 2017 and 2016 were \$19,694, \$14,304, \$37,310 and \$14,304, respectively.

(3) Key management compensation

	<u>For the three-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 2,093	\$ 1,140
Post-employment benefits	131	67
	<u>\$ 2,224</u>	<u>\$ 1,207</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 6,387	\$ 3,327
Post-employment benefits	262	134
	<u>\$ 6,649</u>	<u>\$ 3,461</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:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Property, plant and equipment	\$ 58,672	\$ 57,224	\$ 50,711

B. Operating lease commitments:

The future aggregate minimum lease payments for operating lease commitments of leasing dormitory are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Not later than one year	\$ 403,677	\$ 435,841	\$ 240,810
Later than one year but not later than five years	<u>1,574,521</u>	<u>1,715,381</u>	<u>886,229</u>
	<u>\$ 1,978,198</u>	<u>\$ 2,151,222</u>	<u>\$ 1,127,039</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 2017, the Group's strategy, which was unchanged from 2016, 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, receivables, other receivables, time deposits with maturity more than three months, short-term loans, financial liabilities at fair value through profit or loss, payables 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:

June 30, 2017					
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 449,872	30.42	\$ 13,685,106	1%	\$ 136,851
USD : RMB	467,570	6.7744	14,223,479	1%	142,235
<u>Non-monetary items</u>					
<u>Foreign operations</u>					
USD : NTD	4,309,239	30.42	131,087,037		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	932,755	30.42	28,374,407	1%	283,744
USD : RMB	231,204	6.7744	7,033,226	1%	70,332
December 31, 2016					
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on 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	132,139	1%	1,321
<u>Non-monetary items</u>					
<u>Foreign operations</u>					
USD : NTD	3,385,183	32.25	109,173,137		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	610,437	32.25	19,686,593	1%	196,866
USD : RMB	118,152	6.9370	3,810,402	1%	38,104

June 30, 2015

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 175,853	32.28	\$ 5,676,535	1%	\$ 56,765
USD : RMB	449,799	6.6445	14,519,512	1%	145,195
JPY : USD	57,136,333	0.0097	17,957,949	1%	179,579
<u>Non-monetary items</u>					
<u>Foreign operations</u>	2,879,612	32.28	92,953,875		
USD : NTD					
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	189,136	32.28	6,105,310	1%	61,053
USD : RMB	122,535	6.6445	3,955,430	1%	39,554

- 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 three-month and six-month periods ended June 30, 2017 and 2016 amounted to (\$183,631), \$748,844, \$18,828 and \$650,392, 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 financial assets. 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 \$597,779 and \$41,348 for the six-month periods ended June 30, 2017 and 2016, 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 increase/decrease by \$80,046 and \$26,702 for the six-month periods ended June 30, 2017 and 2016, 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 utilization 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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Group 1	\$ 21,475,231	\$ 19,782,641	\$ 16,550,762
Group 2	188,700	153,418	431,885
Group 3	1,101,559	667,575	85,579
Group 4	290,909	403,686	828,422
	<u>\$ 23,056,399</u>	<u>\$ 21,007,320</u>	<u>\$ 17,896,648</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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Up to 30 days	\$ 177,805	\$ 453,116	\$ 761,234
31 to 90 days	416,599	1,124,945	231,981
91 to 180 days	95,027	9,462	490,089
181 to 360 days	139	81,863	6,129
Over 360 days	7,651	21,901	25,770
	<u>\$ 697,221</u>	<u>\$ 1,691,287</u>	<u>\$ 1,515,203</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>June 30, 2017</u>				
Short-term loans	\$ 19,283,544	\$ 3,999	\$ 667	\$ 19,288,210
Accounts payable	15,756,150	44,870	367,934	16,168,954
Other payables	15,088,116	87,904	33,227	15,209,247
	<u>\$ 50,127,810</u>	<u>\$ 136,773</u>	<u>\$ 401,828</u>	<u>\$ 50,666,411</u>

	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>

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>June 30, 2016</u>				
Short-term loans	\$ 6,230,075	\$ 204,040	\$ -	\$ 6,434,115
Accounts payable	10,466,623	101,907	-	10,568,530
Other payables	14,614,312	45,529	708	14,660,549
	<u>\$ 31,311,010</u>	<u>\$ 351,476</u>	<u>\$ 708</u>	<u>\$ 31,663,194</u>

Derivative financial liabilities

	Less than 3 months	Between 3 to 6 months	Between 6 months to 1 year	Total
<u>June 30, 2017</u>				
Foreign exchange contracts	\$ 100,513	\$ 235,038	\$ -	\$ 335,551
			Between 6 months to 1 year	Total
<u>December 31, 2016</u>				
Foreign exchange contracts	\$ -	\$ 1,503,327	\$ -	\$ 1,503,327
			Between 6 months to 1 year	Total
<u>June 30, 2016</u>				
Cross currency swap contracts	\$ -	\$ -	\$ 545,750	\$ 545,750
Foreign exchange contracts	-	33,114	-	33,114
	\$ -	\$ 33,114	\$ 545,750	\$ 578,864

(3) Fair value estimation

- 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 June 30, 2017, December 31, 2016 and June 30, 2016 is as follows:

<u>June 30, 2017</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				
Forward exchange contracts	\$ -	\$ 8,970	\$ -	\$ 8,970
Available-for-sale financial assets				
Equity securities	\$ 5,009,230	\$ 54,492,003	\$ -	\$ 59,501,233
Foreign investment fund	-	276,666	-	276,666
	<u>\$ 5,009,230</u>	<u>\$ 54,768,669</u>	<u>\$ -</u>	<u>\$ 59,777,899</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Foreign exchange contracts	\$ -	\$ 335,551	\$ -	\$ 335,551
<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 assets at fair value				
through profit or loss				
Forward exchange contacts	\$ -	\$ 1,503,327	\$ -	\$ 1,503,327

<u>June 30, 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	\$ -	\$ 2,201	\$ -	\$ 2,201
Available-for-sale financial assets				
Equity securities	\$ 3,857,939	\$ -	\$ -	\$ 3,857,939
Foreign investment fund	-	276,815	-	276,815
	<u>\$ 3,857,939</u>	<u>\$ 276,815</u>	<u>\$ -</u>	<u>\$ 4,134,754</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Listed shares

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, debt instruments without active market, interest rate swap contracts, foreign exchange contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, 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 six-month periods ended June 30, 2017 and 2016, there was no transfer between Level 1 and Level 2.
- F. For the six-month periods ended June 30, 2017 and 2016, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

For disclosure of investees, except for Q-RUN Holdings Ltd., Huazhun Investment Co., Ltd., Q-RUN Far East Corporation, World Trade Trading Ltd., High Tempo International Ltd., Foxconn Technology Pte. Ltd., Eastern Star Limited and Hon Fujin Precision Industry (Taiyuan) Co., Ltd., the remaining financial statements of Mainland China investees were not reviewed by independent accountants, and the following inter-company transactions within the Group were eliminated when preparing the consolidated statements. Following disclosure information is for reference only.

- 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 \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$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 abovementioned items by business activities. 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:

	<u>For the three-month period ended June 30, 2017</u>		
	<u>Electronic products trading services</u>	<u>Production and sales of mechanical components</u>	<u>Total</u>
External revenue	\$ 14,123,120	\$ 7,895,940	\$ 22,019,060
Revenue from internal customers	<u>77,157</u>	<u>1,915,905</u>	<u>1,993,062</u>
Segment revenue	<u>\$ 14,200,277</u>	<u>\$ 9,811,845</u>	<u>\$ 24,012,122</u>
Measurement of segment profit or loss	<u>(\$ 500,789)</u>	<u>\$ 1,243,496</u>	<u>\$ 742,707</u>
Depreciation and amortization	<u>\$ 2,105</u>	<u>\$ 623,779</u>	<u>\$ 625,884</u>
Interest income	<u>\$ 24,058</u>	<u>\$ 320,322</u>	<u>\$ 344,380</u>
Interest expense	<u>\$ 19,033</u>	<u>\$ 6,919</u>	<u>\$ 25,952</u>
Total segment assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>For the three-month period ended June 30, 2016</u>		
	<u>Electronic products trading services</u>	<u>Production and sales of mechanical components</u>	<u>Total</u>
External revenue	\$ 4,114,082	\$ 15,001,404	\$ 19,115,486
Revenue from internal customers	<u>113,432</u>	<u>2,346,606</u>	<u>2,460,038</u>
Segment revenue	<u>\$ 4,227,514</u>	<u>\$ 17,348,010</u>	<u>\$ 21,575,524</u>
Measurement of segment profit or loss	<u>\$ 218,887</u>	<u>\$ 2,323,694</u>	<u>\$ 2,542,581</u>
Depreciation and amortization	<u>\$ 391</u>	<u>\$ 659,252</u>	<u>\$ 659,643</u>
Interest income	<u>\$ 1,264</u>	<u>\$ 250,401</u>	<u>\$ 251,665</u>
Interest expense	<u>\$ 2,396</u>	<u>\$ 7,128</u>	<u>\$ 9,524</u>
Total segment assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the six-month period ended June 30, 2017			
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 26,735,212	\$ 13,827,219	\$ 40,562,431
Revenue from internal customers	<u>155,126</u>	<u>2,261,527</u>	<u>2,416,653</u>
Segment revenue	<u>\$ 26,890,338</u>	<u>\$ 16,088,746</u>	<u>\$ 42,979,084</u>
Measurement of segment profit or loss	<u>\$ 484,839</u>	<u>\$ 1,420,491</u>	<u>\$ 1,905,330</u>
Depreciation and amortization	<u>\$ 4,211</u>	<u>\$ 1,199,635</u>	<u>\$ 1,203,846</u>
Interest income	<u>\$ 27,166</u>	<u>\$ 656,401</u>	<u>\$ 683,567</u>
Interest expense	<u>\$ 43,274</u>	<u>\$ 17,696</u>	<u>\$ 60,970</u>
Total segment assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the six-month period ended June 30, 2016			
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 6,633,136	\$ 29,841,826	\$ 36,474,962
Revenue from internal customers	<u>192,514</u>	<u>2,722,791</u>	<u>2,915,305</u>
Segment revenue	<u>\$ 6,825,650</u>	<u>\$ 32,564,617</u>	<u>\$ 39,390,267</u>
Measurement of segment profit or loss	<u>\$ 445,164</u>	<u>\$ 4,699,093</u>	<u>\$ 5,144,257</u>
Depreciation and amortization	<u>\$ 847</u>	<u>\$ 1,350,539</u>	<u>\$ 1,351,386</u>
Interest income	<u>\$ 1,720</u>	<u>\$ 514,143</u>	<u>\$ 515,863</u>
Interest expense	<u>\$ 3,412</u>	<u>\$ 32,045</u>	<u>\$ 35,457</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 and discontinued operations for the three-month and six-month periods ended June 30, 2017 and 2016 is provided as follows:

	<u>For the three-month periods ended June 30</u>	
<u>Operating revenue</u>	<u>2017</u>	<u>2016</u>
Reportable segments income	\$ 24,012,122	\$ 21,575,524
Other segments income	79,614	120,093
Elimination of inter-segment revenue	(1,993,062)	(2,460,038)
Total corporate revenue	<u>\$ 22,098,674</u>	<u>\$ 19,235,579</u>
	<u>For the six-month periods ended June 30</u>	
<u>Operating revenue</u>	<u>2017</u>	<u>2016</u>
Reportable segments income	\$ 42,979,084	\$ 39,390,267
Other segments income	81,129	163,440
Elimination of inter-segment revenue	(2,416,653)	(2,915,305)
Total corporate revenue	<u>\$ 40,643,560</u>	<u>\$ 36,638,402</u>
	<u>For the three-month periods ended June 30</u>	
<u>Profit and loss</u>	<u>2017</u>	<u>2016</u>
Profit of reported segment	\$ 742,707	\$ 2,542,581
Profit of other operating segments	922,058	29,032
Profit before income tax	<u>\$ 1,664,765</u>	<u>\$ 2,571,613</u>
	<u>For the six-month periods ended June 30</u>	
<u>Profit and loss</u>	<u>2017</u>	<u>2016</u>
Profit of reported segment	\$ 1,905,330	\$ 5,144,257
Profit (loss) of other operating segments	773,418	(127,133)
Profit before income tax	<u>\$ 2,678,748</u>	<u>\$ 5,017,124</u>

Foxconn Technology Co., Ltd. and Subsidiaries

Loans to others

For the six-month period ended June 30, 2017

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 six-month period ended June 30, 2017	Balance at June 30, 2017	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	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Qingdao Hiyn Materials Co., Ltd.	Other receivables	Related parties	\$ 679,512	\$ 661,530	\$ 661,530	4.35000%	Short-term financing	\$ -	Business operation	\$ -	None	\$ -	\$ 3,122,298	\$ 12,489,190	Note
2	Q-Run Holdings Ltd.	YanTai Fuzhun Precision Electronics Co., Ltd.	Other receivables	Related parties	630,780	607,360	607,360	1.01389%	Short-term financing	-	Business operation	-	None	-	37,416,283	74,832,567	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 asset 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 asset 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)

For the six-month period ended June 30, 2017

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 June 30, 2017				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	\$ 201,710	3.05	\$ 201,710	
Foxconn Technology Co., Ltd.	Common stock of Pan-International Industrial Corp.	None	Available-for-sale financial assets -non-current	1,079,986	30,078	0.21	30,078	
Foxconn Technology Co., Ltd.	Common stock of Innolux Corporation	None	Available-for-sale financial assets -non-current	127,556,349	2,028,146	1.28	2,028,146	
Foxconn Technology Co., Ltd.	Common stock of Advanced Optoelectronic Technology, Inc.	None	Available-for-sale financial assets -non-current	1,000	34	-	34	
Huazhun Investment Co., Ltd.	Common stock of Innolux Corporation	None	Available-for-sale financial assets -non-current	121,036,800	1,924,485	1.22	1,924,485	
Huazhun Investment Co., Ltd.	Common stock of Advanced Optoelectronic Technology, Inc.	None	Available-for-sale financial assets -non-current	7,672,000	261,232	5.13	261,232	
Q-Run Holdings Ltd.	Conquer Hill Advantage Fund	None	Available-for-sale financial assets -non-current	89,927	276,666	-	276,666	
Q-Run Holdings Ltd.	Common stock of China Harmony Auto Holding Ltd.	None	Available-for-sale financial assets -non-current	38,452,340	563,545	2.39	563,545	
Foxconn Technology Pte. Ltd.	Common stock of Sharp corporation	None	Available-for-sale financial assets -non-current	646,400,000	54,492,003	12.97	54,492,003	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG17035SB) financial products	None	Other current assets	-	2,243,500	-	2,243,500	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG17035SA) financial products	None	Other current assets	-	2,243,500	-	2,243,500	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG17045SB) financial products	None	Other current assets	-	2,243,500	-	2,243,500	
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 47 Days Financial Products	None	Other current assets	-	583,310	-	583,310	
Nanning Funing Precision Electronics Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	673,050	-	673,050	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	2017 No. 1030 Agricultural Bank of China "The Golden Key, BenLiFeng"RMB financial products	None	Other current assets	-	2,108,890	-	2,108,890	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	201,915	-	201,915	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	1,794,800	-	1,794,800	
Fuhuiqiang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	None	Other current assets	-	291,655	-	291,655	

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
For the six-month period ended June 30, 2017

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, 2017		Addition		Disposal			Balance as at June 30, 2017		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	RMB 800,000 thousand	-	-	-	RMB 803,879 thousand	RMB 800,000 thousand	RMB 3,879 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	RMB 70,000 thousand	-	-	-	RMB 70,345 thousand	RMB 70,000 thousand	RMB 345 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 800,000 thousand	-	RMB 805,600 thousand	RMB 800,000 thousand	RMB 5,600 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 70,000 thousand	-	RMB 70,409 thousand	RMB 70,000 thousand	RMB 409 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 500,000 thousand	-	RMB 501,627 thousand	RMB 500,000 thousand	RMB 1,627 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 370,000 thousand	-	RMB 371,171 thousand	RMB 370,000 thousand	RMB 1,171 thousand	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	2017 No. 1030“The Golden Key, BenLiFeng”RMB financial products	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 470,000 thousand	-	-	-	-	-	RMB 470,000 thousand
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 400,000 thousand	-	-	-	-	-	RMB 400,000 thousand
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 47 Days Financial Products	Note 1	Bank of Communications Co., Ltd.	None	-	-	-	RMB 130,000 thousand	-	RMB 130,653 thousand	RMB 130,000 thousand	RMB 653 thousand	-	-
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 47 Days Financial Products	Note 1	Bank of Communications Co., Ltd.	None	-	-	-	RMB 130,000 thousand	-	-	-	-	-	RMB 130,000 thousand

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2017		Addition		Disposal			Balance as at June 30, 2017		
					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 1	Bank of Communications Co., Ltd.	None	-	RMB 50,000 thousand	-	-	-	RMB 50,145 thousand	RMB 50,000 thousand	RMB 145 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	RMB 500,000 thousand	-	-	-	RMB 500,978 thousand	RMB 500,000 thousand	RMB 978 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 1	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 39 Days Interest Guaranteed Wealth Management Products	Note 1	Bank of Beijing	None	-	RMB 300,000 thousand	-	-	-	RMB 300,962 thousand	RMB 300,000 thousand	RMB 962 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Steady Series RMB 52 Days Interest Guaranteed Wealth Management Products	Note 1	Bank of Beijing	None	-	RMB 200,000 thousand	-	-	-	RMB 200,855 thousand	RMB 200,000 thousand	RMB 855 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Ben Li Feng" RMB Financial Products (BFDG170024)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 500,000 thousand	-	RMB 501,918 thousand	RMB 500,000 thousand	RMB 1,918 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Ben Li Feng" RMB Financial Products (BFDG170025)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 350,000 thousand	-	RMB 351,342 thousand	RMB 350,000 thousand	RMB 1,342 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Hui Li Feng" 2017 Section 4163 structured deposits products Customized for the Public	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 150,000 thousand	-	RMB 150,542 thousand	RMB 150,000 thousand	RMB 542 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Ben Li Feng" RMB Financial Products (BFDG170067)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 500,000 thousand	-	RMB 501,853 thousand	RMB 500,000 thousand	RMB 1,853 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Ben Li Feng" RMB Financial Products (BFDG170066)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 500,000 thousand	-	RMB 501,853 thousand	RMB 500,000 thousand	RMB 1,853 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Steady Series RMB 36 Days Interest Guaranteed Wealth Management Products	Note 1	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,874 thousand	RMB 500,000 thousand	RMB 1,874 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Steady Series RMB 35 Days Interest Guaranteed Wealth Management Products	Note 1	Bank of Beijing	None	-	-	-	RMB 500,000 thousand	-	RMB 501,822 thousand	RMB 500,000 thousand	RMB 1,822 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Winer" currency and bonds series(bit by bit make a mickle) (WG17034SB) financial products	Note 1	Bank of Shanghai	None	-	-	-	RMB 500,000 thousand	-	RMB 501,932 thousand	RMB 500,000 thousand	RMB 1,932 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Winer" currency and bonds series(bit by bit make a mickle) (WG17034SC) financial products	Note 1	Bank of Shanghai	None	-	-	-	RMB 500,000 thousand	-	RMB 501,932 thousand	RMB 500,000 thousand	RMB 1,932 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Wealth Management Product "Ben Li Feng", Premium Version (BFDG170128)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 500,000 thousand	-	RMB 500,964 thousand	RMB 500,000 thousand	RMB 964 thousand	-	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Wealth Management Product "Ben Li Feng", Premium Version (BFDG170129)	Note 1	Agricultural Bank of China Ltd.	None	-	-	-	RMB 300,000 thousand	-	RMB 300,579 thousand	RMB 300,000 thousand	RMB 579 thousand	-	-

Table 3, Page 2

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2017		Addition		Disposal			Balance as at June 30, 2017		
					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	"Winer" currency and bonds series (bit by bit make a mickle) (WG17035SB) financial products	Note 1	Bank of Shanghai	None	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Winer" currency and bonds series (bit by bit make a mickle) (WG17035SA) financial products	Note 1	Bank of Shanghai	None	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	"Winer" currency and bonds series (bit by bit make a mickle) (WG17045SB) financial products	Note 1	Bank of Shanghai	None	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	RMB 65,000 thousand	-	-	-	RMB 65,315 thousand	RMB 65,000 thousand	RMB 315 thousand	-	-
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 65,000 thousand	-	RMB 65,455 thousand	RMB 65,000 thousand	RMB 455 thousand	-	-
Fuzhun Precision (Hebi) Electronics Co., Ltd.	2017 No. JG0161 for steady holding "Li Duo Duo" structured deposit	Note 1	Shanghai Pudong Development Bank Co., Ltd.	None	-	-	-	RMB 50,000 thousand	-	RMB 50,156 thousand	RMB 50,000 thousand	RMB 156 thousand	-	-
Nanning Funing Precision Electronics Co., Ltd.	Yun Tong Fortune Increasing Profits 47 Days Financial Products	Note 1	Bank of China Limited	None	-	-	-	RMB 150,000 thousand	-	-	-	-	-	RMB 150,000 thousand

Foxconn Technology Co., Ltd. and Subsidiaries

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the six-month period ended June 30, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount			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	\$ 261,486	1	90 days	Note	Note	\$ 297,884	3	
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	6,933,311	87	90 days	Note	Note	6,873,669	94	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	459,350	6	90 days	Note	Note	205,087	3	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Fuzhun Precision (Hebi) Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	194,453	2	90 days	Note	Note	70,398	1	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	2,104,525	96	60 days	Note	Note	1,660,801	95	
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	145,282	75	90 days	Note	Note	82,751	79	
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	2,099,182	91	90 days	Note	Note	1,990,561	90	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	160,013	7	90 days	Note	Note	158,845	7	
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	174,087	3	90 days	Note	Note	127,456	3	
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	797,808	15	90 days	Note	Note	632,600	16	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	The investee is an indirect subsidiary of the Company	Sales	889,220	16	90 days	Note	Note	833,216	21	

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)	
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	\$ 178,996	95	90 days	Note	Note	\$ 135,714	76	
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	259,406	35	90 days	Note	Note	273,972	47	
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	377,333	51	90 days	Note	Note	170,608	29	
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	Purchases	22,005,968	91	30 days	Note	Note	(6,929,960)	(79)	
Foxconn Technology Co., Ltd.	Nanning Funing Precision Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Purchases	618,709	3	30 days	Note	Note	(426)	-	

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 \$100 million or 20% of paid-in capital or more
June 30, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2017	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.	\$ 297,884	1.74	\$ 48,918	Subsequent collection	\$ 82,295	\$ -
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	3,051,129	Not applicable	-	-	2,843,426	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The investee is an indirect subsidiary of the Company	6,873,669	2.12	524,344	Subsequent collection	71,095	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	205,087	2.63	-	-	-	-
Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	1,660,801	2.01	96,298	Subsequent collection	436,664	-
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	1,990,561	1.62	-	Subsequent collection	-	-
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	The investee is an indirect subsidiary of the Company	158,845	3.15	-	Subsequent collection	-	-
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	127,456	2.10	22,325	Subsequent collection	-	-
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	632,600	1.75	173,843	Subsequent collection	-	-
Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	The investee is an indirect subsidiary of the Company	833,216	1.74	72,346	Subsequent collection	-	-
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Foxconn Technology Pte. Ltd.	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	135,714	2.35	26,671	Subsequent collection	-	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
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	\$ 273,972	2.30	\$ 77,498	Subsequent collection	\$ 10,577	\$ -
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	170,608	2.86	-	-	-	-
High Tempo International Ltd.	Foxconn Technology Pte Ltd.	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	608,436	Not applicable	-	-	-	-

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 purchase of 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 periods
 For the six-month period ended June 30, 2017

Table 6

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Foxconn Technology Co., Ltd.	Nanning Funing Precision Electronics Co., Ltd.	1	Purchases	\$ 618,709	Note 4	1
1	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	459,350	"	0
1	"	"	3	Accounts receivable	205,087	"	0
1	"	Fuzhun Precision (Hebi) Electronics Co., Ltd.	3	Sales	194,453	"	0
2	Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	2,104,525	"	5
2	"	"	3	Accounts receivable	1,660,801	"	1
3	Fuzhun Precision (Hebi) Electronics Co., Ltd.	"	3	Sales	160,013	"	0
3	"	"	3	Accounts receivable	158,845	"	0
4	Foxconn Technology Pte. Ltd.	"	3	Sales	889,220	"	7
4	"	"	3	Accounts receivable	833,216	"	1
5	YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	3	Sales	377,333	"	0
5	"	"	3	Accounts receivable	170,608	"	0
6	High Tempo International Ltd.	Foxconn Technology Co., Ltd.	3	Other receivable	608,436	"	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 relationship 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 \$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.

Note 6: For information of loans to others, please refer to table 1.

Foxconn Technology Co., Ltd. and Subsidiaries
Information on investees
For the six-month period ended June 30, 2017

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2017			Net profit (loss) of the investee for the six-month ended June 30, 2017	Investment income (loss) recognised by the Company for the six-month ended June 30, 2017	Note
				Balance as at June 30, 2017	Balance as at December 31, 2016	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	\$ 14,488,508	\$ 143,951	\$ 143,951	
Foxconn Technology Co., Ltd.	Q-Run Holdings Ltd.	Cayman Islands	Investment holding	9,851,192	9,851,192	480,077,600	100	116,598,529	2,206,308	2,206,308	
Foxconn Technology Co., Ltd.	Huazhun Investment Co., Ltd.	Taiwan	Investment	1,115,037	1,115,037	125,478,000	100	2,250,412	48	48	
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	490,322	39,032,250	20	315,338 (	82,227) (	15,377)

Note 1: 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
For the six-month period ended June 30, 2017

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, 2017	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended June 30, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	Net income of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fuhuiang Industrial (Shenzhen) Co., Ltd.	Computer case – electronic and electrical components	\$ 235,968	2	\$ 235,968	\$ -	\$ -	\$ 235,968	\$ 3,598	100	\$ 3,598	\$ 421,490	\$ -	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Manufacturing and marketing of power plug and wall socket, micro ribbon connectors for terminals, etc.	1,191,673	2	598,848	-	-	598,848	148,429	100	148,429	4,063,732	-	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	593,190	2	60,840	-	-	60,840	28,296	100	28,296	4,607,319	-	
Fu Rui Precision Components (Kunshan) Co., Ltd.	Electrical board components processing; manufacturing and marketing of optoelectronics and computer cables	373,892	2	239,831	-	-	239,831	(38,216)	100	(38,216)	1,763,309	-	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Manufacturing and marketing of computer components and related peripherals, computer cases and metal stamping	12,472,200	2	4,243,590	-	-	4,243,590	1,225,630	100	1,225,630	31,222,975	-	
Nanning Funing Precision Electronics Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	298,116	2	-	-	-	-	58,304	100	58,304	2,230,180	-	
YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case - electronic and electrical components	1,201,590	2	1,201,590	-	-	1,201,590	120,070	100	120,070	489,926	-	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	New alloy material, precision molds, new electronic components, portable computers and their components	4,493,034	2	1,511,874	-	-	1,511,874	(214,999)	100	(214,999)	5,185,562	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	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.	\$ 8,092,541	\$ 21,697,552	\$ -

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 not reviewed by independent accountants, except Hon Fujin Precision Industry (Taiyuan) Co., Ltd..

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.