

**FOXCONN TECHNOLOGY CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2018 AND 2017**

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.

Introduction

We have reviewed the accompanying consolidated balance sheets of Foxconn Technology Co., Ltd. and subsidiaries (the “Group”) as at June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3) and 6(9), we did not review the financial statements of certain insignificant consolidated subsidiaries, investments accounted for using equity method and the information disclosed in Note 13, which statements reflect total assets of NT\$29,470,699 thousand and NT\$27,182,806 thousand, constituting 16% and 15% of the consolidated total assets, and total liabilities of NT\$4,634,862 thousand and NT\$5,114,136 thousand, constituting 7% and 10% of the consolidated total liabilities as at June 30, 2018 and 2017, and total comprehensive income (including share of profit (loss)

and other comprehensive income of associates and joint ventures accounted for using the equity method) of NT\$155,949 thousand, NT\$484,996, NT\$288,793 and NT\$493,452, constituting 3%, 55%, (3)% and 2% of the consolidated total comprehensive income (loss) for the three-month and six-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries, investments accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three-month and six-months periods then ended, as well as its consolidated cash flows for the six-month periods then ended in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Hsu, Sheng-Chung Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

August 13, 2018

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, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017
(EXPRESSSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF JUNE 30, 2018 and 2017 ARE UNAUDITED)

Assets			June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 49,787,056	26	\$ 59,389,534	27	\$ 55,598,691	31
1110	Current financial assets at fair value through profit or loss	6(2)	721,229	1	1,446	-	8,970	-
1136	Financial assets at amortised cost-current	6(4)	31,289,433	17	-	-	-	-
1170	Accounts receivable, net	6(5)	15,432,762	8	16,860,595	8	12,923,959	7
1180	Accounts receivable due from related parties, net	7	13,423,472	7	35,990,057	17	10,762,733	6
1200	Other receivables	6(6) and 7	2,481,883	1	1,388,872	1	3,561,624	2
130X	Inventories	6(7)	4,681,306	3	4,013,323	2	4,158,184	3
1470	Other current assets	6(8)	607,046	-	20,746,102	9	19,477,245	11
11XX	Total current assets		118,424,187	63	138,389,929	64	106,491,406	60
Non-current assets								
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	48,634,138	26	-	-	-	-
1523	Non-current available-for-sale financial assets	12(4)	-	-	61,861,247	29	59,777,899	34
1535	Financial assets at amortised cost-non-current	6(4)	5,519,400	3	-	-	-	-
1546	Investments in debt instrument without active market-non-current	12(4)	-	-	4,571,100	2	-	-
1550	Investments accounted for under equity method	6(9)	6,784,735	3	563,534	-	682,119	-
1600	Property, plant and equipment	6(10) and 7	7,363,199	4	7,444,897	4	7,973,564	5
1760	Investment property - net	6(11)	806,427	-	793,958	-	814,146	-
1840	Deferred tax assets		581,153	-	569,660	-	776,504	-
1900	Other non-current assets	6(12)	1,251,031	1	1,270,102	1	1,396,144	1
15XX	Total non-current assets		70,940,083	37	77,074,498	36	71,420,376	40
1XXX	Total assets		\$ 189,364,270	100	\$ 215,464,427	100	\$ 177,911,782	100

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017
(EXPRESSD IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF JUNE 30, 2018 and 2017 ARE UNAUDITED)

	Liabilities and Equity	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(13)	\$ 28,051,146	15	\$ 23,298,389	11	\$ 19,288,210	11
2120	Current financial liabilities at fair value through profit or loss	6(2)	-	-	47,417	-	335,551	-
2170	Accounts payable		5,846,512	3	6,219,942	3	4,661,791	3
2180	Accounts payable to related parties	7	14,648,431	8	35,226,222	16	11,507,163	6
2200	Other payables	6(14) and 7	19,104,552	10	13,807,252	6	15,209,247	9
2230	Current tax liabilities		743,956	-	1,403,438	1	798,211	-
2300	Other current liabilities	12(5)	360,007	-	150,722	-	75,730	-
21XX	Total current liabilities		<u>68,754,604</u>	<u>36</u>	<u>80,153,382</u>	<u>37</u>	<u>51,875,903</u>	<u>29</u>
	Non-current liabilities							
2570	Deferred tax liabilities		618,547	1	561,390	1	1,073,016	1
2600	Other non-current liabilities		128,174	-	154,722	-	180,927	-
25XX	Total non-current liabilities		<u>746,721</u>	<u>1</u>	<u>716,112</u>	<u>1</u>	<u>1,253,943</u>	<u>1</u>
2XXX	Total Liabilities		<u>69,501,325</u>	<u>37</u>	<u>80,869,494</u>	<u>38</u>	<u>53,129,846</u>	<u>30</u>
	Equity attributable to owners of parent							
	Share capital	6(16)						
3110	Ordinary share		14,144,852	7	14,144,852	6	14,144,852	8
	Capital surplus	6(17)						
3200	Capital surplus		7,742,945	4	7,768,067	4	7,792,500	4
	Retained earnings	6(18)						
3310	Legal reserve		11,103,487	6	10,106,948	5	10,106,948	6
3350	Unappropriated retained earnings		60,100,905	32	63,516,070	29	56,249,690	32
	Other equity interest	6(19)						
3400	Other equity interest		26,693,981	14	38,983,202	18	36,426,955	20
31XX	Total equity attributable to owners of parent		<u>119,786,170</u>	<u>63</u>	<u>134,519,139</u>	<u>62</u>	<u>124,720,945</u>	<u>70</u>
36XX	Non-controlling interests	6(20)	<u>76,775</u>	<u>-</u>	<u>75,794</u>	<u>-</u>	<u>60,991</u>	<u>-</u>
3XXX	Total equity		<u>119,862,945</u>	<u>63</u>	<u>134,594,933</u>	<u>62</u>	<u>124,781,936</u>	<u>70</u>
	Commitments and Contingent Liabilities	9						
3X2X	Total liabilities and equity		<u>\$ 189,364,270</u>	<u>100</u>	<u>\$ 215,464,427</u>	<u>100</u>	<u>\$ 177,911,782</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 INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21) and 7	\$ 32,704,271	100	\$ 22,098,674	100	\$ 66,799,430	100	\$ 40,643,560	100
5000 Operating costs	6(7)(24) and 7	(29,770,372)	(91)	(19,566,068)	(88)	(61,839,354)	(92)	(36,416,631)	(90)
5900 Gross profit from operations		<u>2,933,899</u>	<u>9</u>	<u>2,532,606</u>	<u>12</u>	<u>4,960,076</u>	<u>8</u>	<u>4,226,929</u>	<u>10</u>
Operating expenses	6(24) and 7								
6100 Selling expenses		(127,535)	-	(136,169)	(1)	(313,065)	-	(264,372)	(1)
6200 Administrative expenses	12(2)	(782,525)	(2)	(248,544)	(1)	(1,058,021)	(2)	(457,929)	(1)
6300 Research and development expenses		(803,428)	(3)	(257,641)	(1)	(1,119,084)	(2)	(487,245)	(1)
6000 Total operating expenses		(1,713,488)	(5)	(642,354)	(3)	(2,490,170)	(4)	(1,209,546)	(3)
6900 Net operating income		<u>1,220,411</u>	<u>4</u>	<u>1,890,252</u>	<u>9</u>	<u>2,469,906</u>	<u>4</u>	<u>3,017,383</u>	<u>7</u>
Non-operating income and expenses									
7010 Other income	6(22)	963,565	3	419,452	2	1,545,369	2	1,053,620	3
7020 Other gains and losses	6(23)	400,035	1	(75,088)	(1)	13,743	-	(580,638)	(2)
7050 Finance costs		(162,722)	(1)	(26,086)	-	(280,093)	-	(61,095)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(9)	(33,006)	-	(59,942)	-	(58,162)	-	(85,791)	-
7000 Total non-operating income and expenses		<u>1,167,872</u>	<u>3</u>	<u>258,336</u>	<u>1</u>	<u>1,220,857</u>	<u>2</u>	<u>326,096</u>	<u>1</u>
7900 Profit before income tax		<u>2,388,283</u>	<u>7</u>	<u>2,148,588</u>	<u>10</u>	<u>3,690,763</u>	<u>6</u>	<u>3,343,479</u>	<u>8</u>
7950 Tax expense	6(26)	(721,290)	(2)	(483,823)	(2)	(999,883)	(2)	(664,731)	(1)
8200 Profit		<u>\$ 1,666,993</u>	<u>5</u>	<u>\$ 1,664,765</u>	<u>8</u>	<u>\$ 2,690,880</u>	<u>4</u>	<u>\$ 2,678,748</u>	<u>7</u>

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(UNAUDITED)

Items		Notes	Three months ended June 30				Six months ended June 30			
			2018		2017		2018		2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised loss on valuation of financial assets at fair value through other comprehensive income	6(3)	(\$ 8,288,693)	(25)	\$ -	-	(\$ 13,642,123)	(20)	\$ -	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(8,288,693)	(25)	-	-	(13,642,123)	(20)	-	-
Components of other comprehensive income that will be reclassified to profit or loss		6(19)(20)								
8361	Exchange differences on translation		1,453,627	4	1,079,812	5	1,353,367	2	(4,250,516)	(10)
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets		-	-	(1,867,492)	(9)	-	-	24,983,614	61
8360	Components of other comprehensive income that will be reclassified to profit or loss		1,453,627	4	(787,680)	(4)	1,353,367	2	20,733,098	51
8500	Total comprehensive income		(\$ 5,168,073)	(16)	\$ 877,085	4	(\$ 9,597,876)	(14)	\$ 23,411,846	58
Profit (loss), attributable to:										
8610	Owners of parent		\$ 1,659,821	5	\$ 1,668,989	8	\$ 2,690,364	4	\$ 2,689,157	7
8620	Non-controlling interests		7,172	-	(4,224)	-	516	-	(10,409)	-
			<u>\$ 1,666,993</u>	<u>5</u>	<u>\$ 1,664,765</u>	<u>8</u>	<u>\$ 2,690,880</u>	<u>4</u>	<u>\$ 2,678,748</u>	<u>7</u>
Comprehensive income attributable to:										
8710	Owners of parent		(\$ 5,174,651)	(16)	\$ 880,154	4	(\$ 9,598,857)	(14)	\$ 23,424,766	58
8720	Non-controlling interests		6,578	-	(3,069)	-	981	-	(12,920)	-
			<u>(\$ 5,168,073)</u>	<u>(16)</u>	<u>\$ 877,085</u>	<u>4</u>	<u>(\$ 9,597,876)</u>	<u>(14)</u>	<u>\$ 23,411,846</u>	<u>58</u>
Earnings per share (in dollars)		6(27)								
9750	Basic earnings per share		<u>\$ 1.17</u>		<u>\$ 1.18</u>		<u>\$ 1.90</u>		<u>\$ 1.90</u>	
9850	Diluted earnings per share		<u>\$ 1.17</u>		<u>\$ 1.17</u>		<u>\$ 1.89</u>		<u>\$ 1.89</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, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained Earnings				Other equity interest					
						Exchange differences on translation of foreign financial statements	Unrealised gains or loss on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets		Non-controlling interests	Total equity
Notes	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings					Total		
<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	
Profit (loss)	-	-	-	2,689,157	-	-	-	2,689,157	(10,409)	2,678,748	
Other comprehensive income (loss)	6(19)	-	-	-	(4,248,005)	-	24,983,614	20,735,609	(2,511)	20,733,098	
Total comprehensive income (loss)	-	-	-	2,689,157	(4,248,005)	-	24,983,614	23,424,766	(12,920)	23,411,846	
Appropriations of 2016 earnings	6(18)										
Legal reserve	-	-	1,072,111	(1,072,111)	-	-	-	-	-	-	
Cash dividends	-	-	-	(5,375,044)	-	-	-	(5,375,044)	-	(5,375,044)	
Changes in equity of associates and joint ventures accounted for using equity method	-	(1,143)	-	-	-	-	-	(1,143)	-	(1,143)	
Balance at June 30, 2017	\$ 14,144,852	\$ 7,792,500	\$ 10,106,948	\$ 56,249,690	(\$ 2,667,888)	\$ -	\$ 39,094,843	\$ 124,720,945	\$ 60,991	\$ 124,781,936	
<u>2018</u>											
Balance at January 1, 2018	\$ 14,144,852	\$ 7,768,067	\$ 10,106,948	\$ 63,516,070	(\$ 2,586,289)	\$ -	\$ 41,569,491	\$ 134,519,139	\$ 75,794	\$ 134,594,933	
Effects of retrospective application and retrospective restatement	12(4)	-	-	(16,843)	-	41,569,491	(41,569,491)	(16,843)	-	(16,843)	
Balance at 1 January after adjustments	14,144,852	7,768,067	10,106,948	63,499,227	(2,586,289)	41,569,491	-	134,502,296	75,794	134,578,090	
Profit (loss)	-	-	-	2,690,364	-	-	-	2,690,364	516	2,690,880	
Other comprehensive income (loss)	6(19)	-	-	-	1,352,902	(13,642,123)	-	(12,289,221)	465	(12,288,756)	
Total comprehensive income (loss)	-	-	-	2,690,364	1,352,902	(13,642,123)	-	(9,598,857)	981	(9,597,876)	
Appropriations of 2017 earnings	6(18)										
Legal reserve	-	-	996,539	(996,539)	-	-	-	-	-	-	
Cash dividends	-	-	-	(5,092,147)	-	-	-	(5,092,147)	-	(5,092,147)	
Changes in equity of associates and joint ventures accounted for using equity method	-	(25,122)	-	-	-	-	-	(25,122)	-	(25,122)	
Balance at June 30, 2018	\$ 14,144,852	\$ 7,742,945	\$ 11,103,487	\$ 60,100,905	(\$ 1,233,387)	\$ 27,927,368	\$ -	\$ 119,786,170	\$ 76,775	\$ 119,862,945	

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
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,690,763	\$ 3,343,479
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation expense (including investment property)	6(24)	1,005,745	1,196,918
Amortization expense	6(24)	10,429	10,297
Expected credit gain	12(2)	(6,875)	-
Net loss on financial assets or liabilities at fair value	6(2)		
through profit or loss		(767,201)	808,221
Loss (gain) on disposal of property, plan and equipment	6(23)	(214,411)	20,459
Interest expense		280,093	61,095
Interest income	6(22)	(1,095,482)	(683,646)
Dividend income	6(22)	(173,761)	-
Share of loss of associates and joint ventures accounted for using equity method	6(9)	58,162	85,791
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable net		1,487,460	(3,920,915)
Accounts receivable due from related parties		23,036,276	2,042,865
Other receivable		(44,978)	(150,372)
Inventories		(650,699)	(781,753)
Other current assets		(389,832)	(2,391)
Other non-current assets		10,212	(5,574)
Net changes in liabilities relating to operating activities			
Accounts payable		(442,951)	(1,908,306)
Accounts payable to related parties		(20,740,230)	(71,995)
Other payable		(1,838,608)	(368,842)
Other current liabilities		206,073	137,491
Other non-current liabilities		(26,540)	84,720
Cash inflow (outflow) generated from operations		3,393,645	(102,458)
Income taxes paid		(1,519,416)	(1,127,584)
Net cash flows from (used in) operating activities		<u>1,874,229</u>	<u>(1,230,042)</u>

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FOXCONN TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost-current		(\$ 10,739,437)	\$ -
Acquisition of financial assets at amortised cost-non-current		(928,140)	-
Acquisition of investments accounted for using equity method	6(9)	(6,069,128)	-
Prepayments for investments		-	(161,128)
Increase in other financial assets		-	(1,019,656)
Acquisition of property, plant and equipment	6(28)	(1,088,510)	(847,721)
Proceeds from disposal of property, plant and equipment	6(28)	181,167	71,262
Decrease(Increase) in net receivable/ payable on raw materials		990,388	(13,767)
Interest received		1,129,450	668,247
Dividend received		<u>173,761</u>	<u>-</u>
Net cash flows used in investing activities		(<u>16,350,449</u>)	(<u>1,302,763</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interest paid		(250,709)	(56,352)
Increase in short-term loans		<u>4,733,742</u>	<u>11,591,268</u>
Net cash flows from financing activities		<u>4,483,033</u>	<u>11,534,916</u>
Effect of changes in foreign currency exchange rates on cash		<u>390,709</u>	(<u>2,428,185</u>)
Net (decrease) increase in cash and cash equivalents		(9,602,478)	6,573,926
Cash and cash equivalents at beginning of period		<u>59,389,534</u>	<u>49,024,765</u>
Cash and cash equivalents at end of period		<u>\$ 49,787,056</u>	<u>\$ 55,598,691</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, 2018 AND 2017
(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 13, 2018.

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 2018 are as follows:

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

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.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

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

- (a) The Group has elected not to restate prior period financial statements when initially apply IFRS 15.
- (b) Presentation of assets and liabilities in relation to contracts with customers
The entity will recognise revenue in the amount of consideration to which the entity expects to be entitled. Revenue would not be recognised for products that the entity expects to be returned. The entity recognises a refund liability and an asset. The asset is presented separately from the refund liability.
- (c) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. The balance was \$64,929 on January 1, 2018.
- (d) Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Effects of the Group's financial condition and financial performance arising from the above standards and interpretations based on the Group's assessment are as follows:

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.

In the second quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

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) Financial assets at fair value through other comprehensive income / Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the first quarter of 2018 was not restated. The financial statements for the year ended December 31, 2017 and the first quarter of 2018 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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 (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
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
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
Foxconn Precision Components Holding Co., Ltd.	Atkinson Holdings Ltd.	Investment holding and reinvestment	100	100	100
Q-RUN 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

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
Q-RUN Ltd.	High Tempo International Ltd.	Investment holding and reinvestment	100	100	100	(b)
Q-RUN Ltd.	FTC Technology Inc.	Investment holding and reinvestment	100	100	100	(a) (b)
Q-RUN Ltd.	Foxconn Technology Pte. Ltd.	Sales, investment holdings and reinvestment	100	100	100	
Atkinson Ltd.	Kenny International Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
Atkinson Ltd.	Double Wealth Profits Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
Atkinson Ltd.	Precious Star International Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
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) (b)
Q-RUN Far East Corporation	Topfry Industrial Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
Q-RUN Far East Corporation	Gold Glory International Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
Q-RUN Far East Corporation	New Glory Holdings Ltd.	Investment holding and reinvestment	100	100	100	(a) (b)
Foxconn Technology Pte. Ltd.	FTP Technology Inc.	Investment holding and reinvestment	100	100	100	(a) (b)
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) (b)

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
Double Wealth Profits Ltd.	Fuzhun Precision Industry Co., Ltd. (Shenzhen)	Manufacturing and marketing of computer components (computer thermal module)	100	100	100	(a) (b)
Fuzhun Precision Industry Co., Ltd. (Shenzhen)	Fuyu Technology Co., Ltd. (Nanyang)	Production of LED lamps and LED display; engagement in smart light pole and other products in relation to LED	100	100	100	(a) (b)
Eastern Star Limited	Hon Fujin Precision Industry Co., Ltd. (Taiyuan)	Manufacturing and marketing of computer components and peripherals and computer cases	87.63	87.63	87.63	
Eastern Star Limited	Fuzhun Precision Electronics Co., Ltd. (Hebi)	New alloy material, precision molds, new electronic components, portable computers and their components	100	100	100	(a) (b)
Precious Star International Ltd.	Hon Fujin Precision Industry Co., Ltd. (Taiyuan)	Manufacturing and marketing of computer components and related peripherals, computer cases and metal stamping	12.37	12.37	12.37	
Hon Fujin Precision Industry Co., Ltd. (Taiyuan)	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) (b)
Hon Fujin Precision Industry Co., Ltd. (Taiyuan)	Fuzhun Precision Industry Co., Ltd. (Shenyang)	Manufacture and sale of automobile parts; manufacture and sale of aluminum alloy parts used for automobiles and electronics.	100	100	-	(a) (c)

Investor	Subsidiary	Main Business Activities	Ownership (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
Topfry Industrial Ltd.	Fuhuigang Industrial (Shenzhen) Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	100
Gold Glory International Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	Manufacturing and marketing of power plug and wall socket, micro ribbon connectors for terminals, etc.	100	100	100
New Glory Holdings Limited	YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case – electronic and electrical components	100	100	100
New Glory Holdings Limited	Nanning Funing Precision Electronics Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	100	100	100

- (a) As the aforementioned subsidiaries do not meet the definition of significant subsidiaries, their financial statements for the second quarter of 2018 were not reviewed by independent accountants.
- (b) As the aforementioned subsidiaries do not meet the definition of significant subsidiaries, their financial statements for the second quarter of 2017 were not reviewed by independent accountants.
- (c) The registration of the establishment of the Company's subsidiary, Fuzhun Precision Industry (Shenyang) Co., Ltd., was completed in the third quarter of 2017, and has been included in the consolidated financial statements beginning from the date of establishment completed.

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

Effective 2018

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- 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. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

Effective 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

Effective 2018

A. Financial assets at amortised cost are those that meet all of the following criteria:

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior 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.
- B. The recoverable amounts of goodwill that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to

benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. 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 draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(20) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. 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 categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) 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.

(26) 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.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) 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.

(28) Revenue recognition

- A. The Group is primarily engaged in manufacturing and sales of consumer electronics products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks

of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) 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.

(30) 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 Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services. Indicators that the Group controls the good or service before it is provided to a customer include the following:

The Group provides integrated electronics manufacturing services to meet the following criteria by judgment, and recognises revenue on a gross basis:

- (a) The Group is primarily responsible for the provision of goods or services;
- (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- (c) The Group has discretion in establishing prices for the goods or services.

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, 2018, Information on the carrying amount of inventories is provided in Note 6(7).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand and revolving funds	\$ 1,554	\$ 366	\$ 3,791
Checking accounts and demand deposits	29,256,282	38,533,253	42,241,799
Cash equivalents			
Time deposits	20,484,220	20,810,915	13,292,101
Repurchase Agreement Bond	45,000	45,000	61,000
	<u>\$ 49,787,056</u>	<u>\$ 59,389,534</u>	<u>\$ 55,598,691</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 "financial assets at amortised cost - current" and "other current assets".

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

Items	June 30, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Cross currency swap contracts	\$ 188,138
Foreign exchange contracts	533,091
Forward exchange contracts	-
	<u>\$ 721,229</u>

A. Due to the financial assets and liabilities recognized above for the three-month and six-month periods ended June 30, 2018 and 2017, the Group recognized net profit of \$713,153 and \$532,231, respectively (including unrealised gain on valuation of \$838,338, \$767,201, respectively.)

B. The Group entered into contracts relating to derivative financial assets or liabilities which were not accounted for under hedge accounting. The information is listed below:

June 30, 2018			
Derivative Financial Assets	Contract amount (Nominal Principal in thousands)	Contract period	
Current items:			
Cross currency swap contracts	TWD (SELL)	1,898,800	2018/03~2019/03
	USD (BUY)	65,000	
	TWD (SELL)	2,186,250	2018/04~2019/04
	USD (BUY)	75,000	
Foreign exchange contracts	TWD (SELL)	4,316,454	2018/03~2019/03
	USD (BUY)	152,000	
	TWD (SELL)	6,226,874	2018/03~2018/10
	USD (BUY)	216,143	

(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) 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.

C. The counterparties of derivative instruments held by the Group are all banks with good credit quality or financial institutions with investment grade credit ratings that are above A.

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

E. Information on December 31, 2017 and June 30, 2017 is provided in Note 12(4).

(3) Financial assets at fair value through other comprehensive income

Items	June 30, 2018
Non-current items:	
Equity instruments	
Listed and emerging stocks	\$ 20,402,171
Foreign investment fund	304,600
	20,706,771
Valuation adjustment	27,927,367
	<u>\$ 48,634,138</u>

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$48,634,138 as at June 30, 2018.
- B. The Group recognised net loss in other comprehensive income for fair value change for the three-month and six-month periods ended June 30, 2018 amounting to \$8,288,693 and \$13,642,123, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others.
- D. Information relating to credit risk is provided in Note 12(2).
- E. Information on December 31, 2017 and June 30, 2017 is provided in Note 12(4).

(4) Financial assets at amortised cost

Items	June 30, 2018
Current items:	
Capital guarantee financial products	\$ 22,383,633
Time deposits mature in excess of three months	8,905,800
	<u>\$ 31,289,433</u>
Non-current items:	
Bank debentures-trust fund	<u>\$ 5,519,400</u>

- A. Please refer to Note 6(22) for information on recognised gains and losses on financial assets at amortised cost. The Group entered into a capital guarantee financial product contract with banks, which returns ranged from 3.5% to 4.9% for the six-month period ended June 30, 2018.
- B. In March 2018 and December 2017, the Group invested in the trust fund named Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust for RMB 500 million and RMB 1 billion, respectively. The fund was mainly created for the investment in Guangzhou Guangyin Nanyue Intelligent Technology Industrial Investment Partnership. This investment is included in "financial assets at amortised cost-non-current."

The significant rights and obligations of the aforementioned investment are outlined as follows:

- (a) The preferred beneficiary has priority over ordinary beneficiary in the distribution of investment returns, including return of principal.
- (b) The Group is the ordinary beneficiary, whose claim to trust interests is lower than the preferred beneficiary.
- (c) For the first half of 2018, the Group received returns in the amount of \$1,397,100 in

accordance with the investment agreement.

C. As of June 30, 2018, the Group has no financial assets at amortised cost pledged to others.

D. Investments that the Group invests in all with high credit quality.

E. Information on December 31, 2017 and June 30, 2017 is provided in Note 6(8) and 12(4).

(5) Notes and accounts receivable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Notes receivable	\$ 15,844	\$ 10,093	\$ 3,514
Accounts receivable	<u>15,422,965</u>	<u>16,915,431</u>	<u>12,990,887</u>
	15,438,809	16,925,524	12,994,401
Less: Allowance for bad debts	(6,047)	-	-
Less: Allowance for sales discounts	<u>-</u>	<u>(64,929)</u>	<u>(70,442)</u>
	<u>\$ 15,432,762</u>	<u>\$ 16,860,595</u>	<u>\$ 12,923,959</u>

A. The Group does not hold any collateral as security.

B. Information relating to credit risk is provided in Note 12(2).

C. Information on the Group's expected volume discounts reclassified to refund liabilities (shown as "other current liabilities") under IFRS 15 is provided in Note 12(5).

(6) Other receivables

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Receivable from purchases made on behalf of others	\$ 1,615,733	\$ 901,649	\$ 3,051,129
Interest receivable	18,269	52,237	44,464
Receivable from disposal of equipment	293,348	2,254	57,997
Others	<u>554,533</u>	<u>432,732</u>	<u>408,034</u>
	<u>\$ 2,481,883</u>	<u>\$ 1,388,872</u>	<u>\$ 3,561,624</u>

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

(7) Inventories

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Raw materials	\$ 1,410,836	\$ 1,165,118	\$ 1,394,182
Work in process	420,990	353,549	1,745,786
Finished goods	<u>3,019,244</u>	<u>2,634,410</u>	<u>1,191,126</u>
	4,851,070	4,153,077	4,331,094
Less: Allowance for inventory obsolescence and market price decline	<u>(169,764)</u>	<u>(139,754)</u>	<u>(172,910)</u>
	<u>\$ 4,681,306</u>	<u>\$ 4,013,323</u>	<u>\$ 4,158,184</u>

The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cost of inventories sold	\$ 29,965,288	\$ 19,687,269
Gain on inventory obsolescence and market price decline	(147,448)	(34,535)
Revenue from sale of scraps	(47,468)	(86,666)
	<u>\$ 29,770,372</u>	<u>\$ 19,566,068</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cost of inventories sold	\$ 61,937,367	\$ 36,656,401
Loss (gain) on inventory obsolescence and market price decline	29,372	(49,287)
Revenue from sale of scraps	(127,385)	(190,483)
	<u>\$ 61,839,354</u>	<u>\$ 36,416,631</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, 2018 and 2017.

(8) Other current assets

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Prepaid expenses	\$ 432,136	\$ 73,483	\$ 80,348
Overpaid sales tax	143,445	100,248	67,071
Capital guarantee financial products	-	13,775,019	12,384,120
Time deposits with maturity over three months	-	6,766,549	6,935,341
Others	31,465	30,803	10,365
	<u>\$ 607,046</u>	<u>\$ 20,746,102</u>	<u>\$ 19,477,245</u>

A. The Group has signed a contract for capital guarantee financial products with the bank for the six-months period ended June 30, 2017, and the rate of return is between 3.3%~4.2%.

B. Information on the Group's capital guarantee financial products and time deposits with maturity over three months reclassified to financial assets at amortised cost under IFRS 9 is provided in Note 6(4).

(9) Investments accounted for using equity method

<u>Investees</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
IDG Energy Investment Limited	\$ 5,807,358	\$ -	\$ -
Syntrend Creative Park Co., Ltd.	291,590	303,283	315,338
FSK Holdings Limited	179,512	248,712	356,053
FE Holding USA, Inc.	494,856	-	-
Foxstar Technology Co., Ltd.	11,419	11,539	10,728
	<u>\$ 6,784,735</u>	<u>\$ 563,534</u>	<u>\$ 682,119</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. On December 13, 2017, the Board of Directors resolved to acquire 1,485,000 thousand common shares of IDG Energy Investment Limited, a listed company in Hong Kong, at HKD 1 per share. The total investment amount was \$5,572,590 (HKD 1,485,000 thousand), representing an ownership stake of 24%. The aforementioned investment was completed in January 2018.
- C. In January, February, April, and June of 2018, the Group acquired the common stock of FE Holdings USA, Inc. at USD 1 per share in accordance with the resolution passed by the Board of Directors. The total investment amount was \$496,538 (USD 16,700 thousand), representing an ownership stake of 33%.
- D. The carrying amount of the Group's interests in associates and the Group's share of the operating results are summarized below:

	For the three-month periods ended June 30,	
	2018	2017
Loss for the period from continuing operations	(\$ 33,006)	(\$ 59,942)
Other comprehensive income, net of tax	5,630	36,381
Total comprehensive loss for the period	(\$ 27,376)	(\$ 23,561)
	For the six-month periods ended June 30,	
	2018	2017
Loss for the period from continuing operations	(\$ 58,162)	(\$ 85,791)
Other comprehensive income, net of tax	7,085	-
Total comprehensive loss for the period	(\$ 51,077)	(\$ 85,791)

- E. The Group's investment, IDG Energy Investment Limited, has quoted market prices. As of June 30, 2018, the fair value was \$6,281,981.

(10) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Others	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2018</u>						
Cost	\$ 51,850	\$ 7,698,313	\$ 24,473,429	\$ 4,816,001	\$ 517,819	\$ 37,557,412
Accumulated depreciation	-	(4,752,068)	(21,188,157)	(4,172,290)	-	(30,112,515)
	<u>\$ 51,850</u>	<u>\$ 2,946,245</u>	<u>\$ 3,285,272</u>	<u>\$ 643,711</u>	<u>\$ 517,819</u>	<u>\$ 7,444,897</u>
<u>2018</u>						
Opening net book amount as at January 1	\$ 51,850	\$ 2,946,245	\$ 3,285,272	\$ 643,711	\$ 517,819	\$ 7,444,897
Additions	-	164,758	442,252	406,377	120,469	1,133,856
Reclassifications	-	52,977	91,962	1,319	(146,258)	-
Transfer	-	(46,149)	-	-	-	(46,149)
Disposals	-	(4,731)	(246,644)	(6,475)	-	(257,850)
Depreciation charge	-	(211,777)	(594,279)	(161,955)	-	(968,011)
Net exchange differences	-	18,584	32,781	1,387	3,704	56,456
Closing net book amount as at June 30	<u>\$ 51,850</u>	<u>\$ 2,919,907</u>	<u>\$ 3,011,344</u>	<u>\$ 884,364</u>	<u>\$ 495,734</u>	<u>\$ 7,363,199</u>
<u>At June 30, 2018</u>						
Cost	\$ 51,850	\$ 7,794,197	\$ 23,302,059	\$ 5,007,500	\$ 495,734	\$ 36,651,340
Accumulated depreciation	-	(4,874,290)	(20,290,715)	(4,123,136)	-	(29,288,141)
	<u>\$ 51,850</u>	<u>\$ 2,919,907</u>	<u>\$ 3,011,344</u>	<u>\$ 884,364</u>	<u>\$ 495,734</u>	<u>\$ 7,363,199</u>

	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>

(11) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2018</u>			
Cost	\$ 95,910	\$ 1,451,442	\$ 1,547,352
Accumulated depreciation and impairment	-	(753,394)	(753,394)
	<u>\$ 95,910</u>	<u>\$ 698,048</u>	<u>\$ 793,958</u>
<u>2018</u>			
Opening net book amount as at January 1	\$ 95,910	\$ 698,048	\$ 793,958
Transfer in	-	46,149	46,149
Depreciation charge	-	(37,734)	(37,734)
Net exchange differences	-	4,054	4,054
Closing net book amount as at June 30	<u>\$ 95,910</u>	<u>\$ 710,517</u>	<u>\$ 806,427</u>
<u>At June 30, 2018</u>			
Cost	\$ 95,910	\$ 1,576,515	\$ 1,672,425
Accumulated depreciation and impairment	-	(865,998)	(865,998)
	<u>\$ 95,910</u>	<u>\$ 710,517</u>	<u>\$ 806,427</u>
	Land	Buildings and structures	Total
<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 in	-	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
Net exchange differences	-	(705,860)	(705,860)
	<u>\$ 95,910</u>	<u>\$ 718,236</u>	<u>\$ 814,146</u>

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

	For the three-month periods ended June 30,	
	2018	2017
Rental income from investment property	\$ 30,046	\$ 26,004
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 18,978	\$ 17,748
	For the six-month periods ended June 30,	
	2018	2017
Rental income from investment property	\$ 73,415	\$ 47,364
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 37,734	\$ 32,518

B. The fair value of the investment property held by the Group as at June 30, 2018, December 31, 2017 and June 30, 2017 was \$1,288,499, \$1,198,857 and \$1,278,945, respectively. Valuations were made using the income approach which is categorized within Level 3 in the fair value hierarchy.

(12) Other non-current assets

	June 30, 2018	December 31, 2017	June 30, 2017
Receivable from payment on behalf of others	\$ 602,842	\$ 599,120	\$ 584,534
Long-term prepaid rents	553,039	556,556	553,120
Prepayments for equipment	44,392	53,453	51,828
Prepayments for investment	-	-	161,128
Other assets - others	50,758	60,973	45,534
	<u>\$ 1,251,031</u>	<u>\$ 1,270,102</u>	<u>\$ 1,396,144</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 \$ 3,540, \$3,341, \$7,037 and \$6,764 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.

(13) Short-term borrowings

Type of borrowings	June 30, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 27,949,957	0.49%~5%	None
Other short-term borrowings	101,189	4.35%	"
	<u>\$ 28,051,146</u>		
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 23,152,114	0.55%~5.0%	None
Other short-term borrowings	146,275	4.35%	"
	<u>\$ 23,298,389</u>		

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>		

The Group has signed an agreement to offset financial assets and liabilities with financial institutions. As of June 30, 2018 and December 31, 2017, the balance of offsetting financial assets and liabilities were both \$0. Details of the offset as of June 30, 2017 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>

(14) Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Dividends payable	\$ 5,092,147	\$ -	\$ 5,375,044
Payable for purchases made parties on behalf of others - related	3,139,441	2,935,782	-
Payable for purchases made parties on behalf of others	2,925,477	1,221,005	2,854,623
Awards and salaries payable	2,163,375	2,436,473	1,716,096
Employees' compensation payable	1,293,674	1,172,315	1,068,451
Consumption goods expense payable	1,197,037	1,391,007	600,903
Payable on module expense	561,714	1,467,668	447,334
Payables for miscellaneous purchase	398,103	315,516	274,678
Others	2,333,584	2,867,486	2,872,118
	<u>\$ 19,104,552</u>	<u>\$ 13,807,252</u>	<u>\$ 15,209,247</u>

(15) 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 \$502, \$468, \$995 and \$947 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 are \$1,900.

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, 2018 and 2017 were \$202,038, \$179,131, \$399,244 and \$370,062, respectively.

(16) Share capital

As of June 30, 2018, 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.

(17) 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.

(18) 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 2017 and 2016 had been resolved at the stockholders' meeting on June 22, 2018 and June 22, 2017, respectively. Details are summarized below:

	For the years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 996,539	\$ -	\$ 1,072,111	\$ -
Cash dividends	5,092,147	3.6	5,375,044	3.8
	<u>\$ 6,088,686</u>	<u>\$ 3.6</u>	<u>\$ 6,447,155</u>	<u>\$ 3.8</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(25).

(19) Other equity items

	Unrealised gain (loss) on financial asset at fair value through other comprehensive income	Unrealised gain (loss) on available-for-sale financial assets	Currency translation adjustments	Total
At January 1, 2018	\$ -	\$ 41,569,491	(\$ 2,586,289)	\$ 38,983,202
Adjustments under new standards	41,569,491	(41,569,491)	-	-
Revaluation of fair value	(13,642,123)	-	-	(13,642,123)
Currency translation differences:				
- Group	-	-	1,345,817	1,345,817
- Associates	-	-	7,085	7,085
At June 30, 2018	<u>\$ 27,927,368</u>	<u>\$ -</u>	<u>(\$ 1,233,387)</u>	<u>\$ 26,693,981</u>
		Unrealised gain (loss) on available-for-sale financial assets	Currency translation adjustments	Total
At January 1, 2017		\$ 14,111,229	\$ 1,580,117	\$ 15,691,346
Revaluation 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>

(20) Non-controlling interests

	For the six-month periods ended June 30,	
	2018	2017
At January 1	\$ 75,794	\$ 73,911
Shares attributable to non-controlling interests:		
Profit (loss) for the period	516	(10,409)
Currency translation differences	465	(2,511)
At June 30	<u>\$ 76,775</u>	<u>\$ 60,991</u>

(21) Operating revenue

	<u>For the three-month periods ended June 30, 2018</u>	
	<u>2018</u>	
Revenue from contracts with customers	\$	<u>32,704,271</u>
	<u>For the six-month periods ended June 30, 2018</u>	
	<u>2018</u>	
Revenue from contracts with customers	\$	<u>66,799,430</u>
Related disclosures for operating revenue for the six-month period ended June 30, 2017 are provided in Note 12(5).		

(22) Other income

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income:		
Interest income from bank deposits	\$ 417,715	\$ 315,301
Interest income from capital guarantee financial products	277,431	29,159
Dividend income	173,761	-
Government grants revenue	6,111	9,830
Rental revenue	35,014	36,458
Others	<u>53,533</u>	<u>28,704</u>
	<u>\$ 963,565</u>	<u>\$ 419,452</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income:		
Interest income from bank deposits	\$ 747,135	\$ 614,463
Interest income from capital guarantee financial products	348,347	69,183
Dividend income	173,761	-
Government grants revenue	101,345	23,382
Rental revenue	88,303	97,783
Others	<u>86,478</u>	<u>248,809</u>
	<u>\$ 1,545,369</u>	<u>\$ 1,053,620</u>

(23) Other gains and losses

	For the three-month periods ended June 30,	
	2018	2017
Net gains on financial assets at fair value through profit or loss	\$ 462,823	\$ 130,828
Net gains (losses) on financial liabilities at fair value through profit or loss	250,330 (	19,783)
Net currency exchange losses	(500,376) (	183,631)
Gains on disposal of property, plant and equipment	213,427	15,802
Others	(26,169) (	18,304)
	<u>\$ 400,035</u>	<u>(\$ 75,088)</u>
	For the six-month periods ended June 30,	
	2018	2017
Net gains (losses) on financial assets at fair value through profit or loss	\$ 586,959	(\$ 761,503)
Net (losses) gains on financial liabilities at fair value through profit or loss	(54,728)	211,170
Net currency exchange (losses) gains	(690,143)	18,828
Gains (losses) on disposal of property, plant and equipment	214,411 (	20,459)
Losses on disposal of investments	-	-
Others	(42,756) (	28,674)
	<u>\$ 13,743</u>	<u>(\$ 580,638)</u>

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

(24) Expenses by nature

	For the three-month periods ended June 30,	
	2018	2017
Employee benefit expense	\$ 2,605,980	\$ 1,627,465
Depreciation	523,681	622,469
Amortization (including long-term prepaid rent amortization)	5,647	5,090
	<u>\$ 3,135,308</u>	<u>\$ 2,255,024</u>

	For the six-month periods ended June 30,	
	2018	2017
Employee benefit expense	\$ 4,750,377	\$ 3,713,917
Depreciation	1,005,745	1,196,918
Amortization (including long-term prepaid rent amortization)	10,429	10,297
	<u>\$ 5,766,551</u>	<u>\$ 4,921,132</u>

(25) Employee benefit expense

	For the three-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 2,108,575	\$ 1,237,524
Labor and health insurance fees	94,081	83,151
Pension costs	202,540	179,599
Other personnel expenses	200,784	127,191
	<u>\$ 2,605,980</u>	<u>\$ 1,627,465</u>

	For the six-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 3,733,444	\$ 2,848,401
Labor and health insurance fees	190,767	172,365
Pension costs	400,239	371,009
Other personnel expenses	425,927	322,142
	<u>\$ 4,750,377</u>	<u>\$ 3,713,917</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, 2018 and 2017, employees' compensation was accrued at \$108,416, \$91,585, \$144,416 and \$134,211, respectively. The aforementioned amounts were recognised in salary expenses. For the six-month periods ended June 30, 2018 and 2017, the employees' compensation was estimated and accrued based on 4% of profit of current year distributable as of the end of reporting period.
- C. Employees' compensation for 2017 and 2016 as resolved by the Board of Directors was in agreement with those amounts recognised in the 2017 and 2016 financial statements. In 2017 and 2016, the employees' compensation was distributed in the form of cash amounting to \$457,835 and \$489,033.
- D. 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.

(26) Income tax

A. Components of income tax expense:

	For the three-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 812,799	\$ 643,865
Prior year income tax overestimation	(103,149)	(153,871)
Total current tax	709,650	489,994
Deferred tax:		
Origination and reversal of temporary differences	11,640	(6,171)
Income tax expense	\$ 721,290	\$ 483,823
For the six-month periods ended June 30,		
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 1,112,497	\$ 889,571
Prior year income tax overestimation	(103,149)	(153,871)
Total current tax	1,009,348	735,700
Deferred tax:		
Origination and reversal of temporary differences	(103,188)	(70,969)
Impact of change in tax rate	93,723	-
Income tax expense	\$ 999,883	\$ 664,731

- B. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

For the three-month period ended June 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,659,821	1,414,485	\$ 1.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,659,821		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	7,480	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,659,821	1,421,965	\$ 1.17
For the three-month period ended June 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,668,989	1,414,485	\$ 1.18
<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	-	6,094	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,668,989	1,420,579	\$ 1.17

For the six-month period ended June 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,690,364	1,414,485	\$ 1.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,690,364		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	8,325	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,690,364	1,422,810	\$ 1.89
For the six-month period ended June 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,689,157	1,414,485	\$ 1.90
<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	-	6,876	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,689,157	1,421,361	\$ 1.89

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	For the six-month periods ended June 30,	
	2018	2017
Purchase of property, plant and equipment	\$ 1,133,856	\$ 474,681
Add: Opening balance of payable on equipment	341,843	727,929
Less: Ending balance of payable on equipment	(387,189)	(354,889)
Cash paid during the period	<u>\$ 1,088,510</u>	<u>\$ 847,721</u>
	For the six-month periods ended June 30,	
	2018	2017
Disposal of property, plant and equipment	\$ 472,261	\$ 42,590
Add: Opening balance of receivable on equipment	2,254	86,669
Less: Ending balance of receivable on equipment	(293,348)	(57,997)
Cash received during the period	<u>\$ 181,167</u>	<u>\$ 71,262</u>

(29) Changes in liabilities from financing activities

For the three-month period ended June 30, 2018, changes in liabilities from financing activities all arose from the changes on cash flows from financing activities and effects of exchange rate, non-cash items were excluded. Please refer to consolidated statements of cash flows for more information.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and Subsidiaries (Hon Hai and Subsidiaries)	Entities with significant influence to the Group
ShanXi Yuding Precision Technology CO.,Ltd. (ShanXi Yuding)	"
Hongfujin Precision Industry (Yantai) Co.,Ltd. (Hongfujin Yantai)	"
Shenzhenshi Yuzhan Precision Technology Co.,Ltd. (Shenzhenshi Yuzhan)	"
Pan-International Industrial Corporation and Subsidiaries	Other related parties
Eson Precision Ind. Co., Ltd. and Subsidiaries	"
Sharp Corporation and Subsidiaries	"
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	"
Innolux Corporation	"
CyberTAN Technology Inc. and Subsidiaries	"
FOXSEMICON INTEGRATED TECHNOLOGY (Shanghai) INC.	"
Foxconn Global Network	"

(2) Significant related party transactions

A. Sales

		<u>For the three-month periods ended June 30,</u>	
		<u>2018</u>	<u>2017</u>
Sales of goods and services:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$	7,683,441	\$ 6,675,875
-ShanXi Yuding		2,598,514	-
Other related parties		30,643	1,712
Associates		-	3,725
	\$	<u>10,312,598</u>	<u>\$ 6,681,312</u>
		<u>For the six-month periods ended June 30,</u>	
		<u>2018</u>	<u>2017</u>
Sales of goods and services:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$	16,602,479	\$ 11,594,582
-ShanXi Yuding		6,638,326	-
Other related parties		63,577	3,537
Associates		-	4,782
	\$	<u>23,304,382</u>	<u>\$ 11,602,901</u>

Except for circumstances in which there are no similar transactions for reference and the prices and credit periods are negotiated by both parties, the aforementioned related party is offered prices very close to those offered to other customers and given a payment period of 30 to 90 days. For transactions involving the sale of raw materials to the aforementioned related party and subsequent repurchase of goods made from the same raw materials from the same party, the initial sale of raw materials is eliminated due to economic substance.

B. Purchases

		<u>For the three-month periods ended June 30,</u>	
		<u>2018</u>	<u>2017</u>
Purchases of goods and services:			
Entities with significant influence to the Group			
-Hongfujin Yantai	\$	18,309,143	\$ 11,226,752
-Hon Hai and Subsidiaries		2,900,702	4,778,065
Other related parties		997,103	602,329
	\$	<u>22,206,948</u>	<u>\$ 16,607,146</u>

		For the six-month periods ended June 30,	
		2018	2017
Purchases of goods and services:			
Entities with significant influence to the Group			
-Hongfujin Yantai	\$	34,878,390	\$ 20,080,604
-Hon Hai and Subsidiaries		8,762,488	6,125,877
Other related parties		1,951,677	806,605
	\$	<u>45,592,555</u>	<u>\$ 27,013,086</u>

Except for circumstances in which there are no similar transactions for reference and the prices and payment terms are negotiated by both parties, the Group makes purchases from the aforementioned related party at the prevailing market price, with payment periods of 30 to 90 days.

C. Receivables from related parties

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 8,924,464	\$ 22,507,279	\$ 10,754,920
-ShanXi Yuding	4,482,500	13,478,271	-
Other related parties	20,581	4,439	2,118
Associates of the Group	-	68	5,695
	<u>13,427,545</u>	<u>35,990,057</u>	<u>10,762,733</u>
Less: Allowance for uncollectible	(4,073)	-	-
	<u>\$ 13,423,472</u>	<u>\$ 35,990,057</u>	<u>\$ 10,762,733</u>
Other receivables-purchases made on behalf of associates:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	1,299,918	901,649	3,051,129
Other receivables- sale of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	293,348	2,254	24,331
	<u>1,593,266</u>	<u>903,903</u>	<u>3,075,460</u>
	<u>\$ 15,016,738</u>	<u>\$ 36,893,960</u>	<u>\$ 13,838,193</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, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Accounts payable:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$ 5,916,807	\$ 13,303,428	\$ 5,407,182
-Hongfujin Yantai	8,067,675	21,318,436	5,459,586
Other related parties	<u>663,949</u>	<u>604,358</u>	<u>640,395</u>
	<u>\$ 14,648,431</u>	<u>\$ 35,226,222</u>	<u>\$ 11,507,163</u>
Other receivables-purchases made on behalf of associates:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	3,139,441	2,935,782	-
Other receivables-management service fees:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	<u>44,404</u>	<u>-</u>	<u>2,112</u>
Other related parties	<u>-</u>	<u>9,882</u>	<u>-</u>
Other receivables-sale of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	<u>346,067</u>	<u>136,966</u>	<u>316,086</u>
	<u>3,529,912</u>	<u>3,082,630</u>	<u>318,198</u>
	<u>\$ 18,178,343</u>	<u>\$ 38,308,852</u>	<u>\$ 11,825,361</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 payable

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Management service fees		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 114,119</u>	<u>\$ 122,041</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Management service fees		
Entities with significant influence to the Group		
-Hon Hai and Subsidiaries	<u>\$ 326,121</u>	<u>\$ 185,920</u>

F. Raw materials purchased on behalf of others

		For the three-month periods ended June 30,	
		2018	2017
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries			
Raw materials purchased on behalf of associates	\$	4,392,842	\$ 4,107,642
Associates purchasing raw materials on behalf of the Group		1,751,056	-
	\$	<u>6,143,898</u>	<u>\$ 4,107,642</u>
		For the six-month periods ended June 30,	
		2018	2017
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries			
Raw materials purchased on behalf of associates	\$	9,927,822	\$ 8,949,146
Associates purchasing raw materials on behalf of the Group		3,591,520	-
	\$	<u>13,519,342</u>	<u>\$ 8,949,146</u>

G. Property transactions

(a) Acquisition of property:

		For the three-month periods ended June 30,	
		2018	2017
Acquisition of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$	70,569	\$ 260,495
-Shenzhen Yuzhan		147,174	-
Other related parties		-	488
	\$	<u>217,743</u>	<u>\$ 260,983</u>
		For the six-month periods ended June 30,	
		2018	2017
Acquisition of property, plant and equipment:			
Entities with significant influence to the Group			
-Hon Hai and Subsidiaries	\$	95,591	\$ 283,119
-Shenzhen Yuzhan		270,829	-
Other related parties		-	25,444
	\$	<u>366,420</u>	<u>\$ 308,563</u>

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

For the three-month periods ended June 30,				
2018		2017		
Sale of property, plant and equipment: Entities with significant influence to the Group	Proceeds from sale of property, plant and equipment	Gain	Proceeds from sale of property, plant and equipment	Gain
-Hon Hai and Subsidiaries	\$ 289,526	\$202,594	\$ 6,135	\$ 1,834
For the six-month periods ended June 30,				
2018		2017		
Sale of property, plant and equipment: Entities with significant influence to the Group	Proceeds from sale of property, plant and equipment	Gain	Proceeds from sale of property, plant and equipment	Gain
-Hon Hai and Subsidiaries	\$ 301,417	\$201,699	\$ 39,908	\$10,351

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, 2018 and 2017 were \$23,935, \$19,694, \$46,702 and \$37,310, respectively.

(3) Key management compensation

For the three-month periods ended June 30,			
2018		2017	
Salaries and other short-term employee benefits	\$ 2,048	\$ 2,093	
Post-employment benefits	121	131	
	<u>\$ 2,169</u>	<u>\$ 2,224</u>	
For the six-month periods ended June 30,			
2018		2017	
Salaries and other short-term employee benefits	\$ 5,656	\$ 6,387	
Post-employment benefits	246	262	
	<u>\$ 5,902</u>	<u>\$ 6,649</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, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Property, plant and equipment	\$ <u>289,775</u>	\$ <u>59,314</u>	\$ <u>58,672</u>

B. Operating lease commitments:

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Not later than one year	\$ <u>405,679</u>	\$ <u>459,695</u>	\$ <u>403,677</u>
Later than one year but not later than five years	<u>1,418,729</u>	<u>1,781,658</u>	<u>1,574,521</u>
	\$ <u>1,824,408</u>	\$ <u>2,241,353</u>	\$ <u>1,978,198</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 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio below 70%.

(2) Financial instruments

A. Financial instrument by category

Information on the Company's and its subsidiaries' financial assets (financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets at amortised cost, investments in debt instruments without active markets, accounts receivable (including related parties) and other receivables) and financial liabilities (financial liabilities at fair value through profit or loss, accounts payable (including related parties), other payables and short-term borrowings) is provided in Note 6 and the consolidated balance sheet.

B. 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 gains or losses from translating U.S. dollar-denominated assets, such as cash, cash equivalents, accounts receivable, other receivables and time deposits mature in excess of three months, and U.S. dollar-denominated liabilities, such as loans, accounts payable and other payables, 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, 2018					
	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	\$ 620,402	30.46	\$ 18,897,445	1%	\$ 188,974
USD : RMB	391,133	6.6166	11,913,911	1%	119,139
<u>Non-monetary items</u>					
<u>Foreign operations</u>					
USD : NTD	4,250,868	30.46	129,481,434		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	1,125,492	30.46	34,282,486	1%	342,825
USD : RMB	392,104	6.6166	11,943,488	1%	119,435
December 31, 2017					
	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	\$ 1,329,814	29.76	\$ 39,575,265	1%	\$ 395,753
USD : RMB	560,052	6.5342	16,667,148	1%	166,671
<u>Non-monetary items</u>					
<u>Foreign operations</u>					
USD : NTD	4,694,429	29.76	139,706,204		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	1,421,975	29.76	42,317,976	1%	423,180
USD : RMB	393,504	6.5342	11,710,679	1%	117,107

June 30, 2017

	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	\$ 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

- v. Total exchange (loss) gain, 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, 2018 and 2017 amounted to (\$500,376), (\$183,631), (\$690,143) and \$18,828, respectively.

Price risk

i. Nature

The Group primarily invests in domestic and foreign publicly traded and unlisted equity instruments, which are accounted for as financial assets at fair value through other comprehensive income and 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 the price of such equity instrument rises or falls by 1%, with all other factors held constant, the impact on other comprehensive income due to equity instruments measured at fair value through other comprehensive income and available-for-sale equity instruments are \$561,224 and \$597,779, respectively, for the six-month periods ended June 30, 2018 and 2017.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term loans. 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 \$224,409 and \$80,046 for the six-month periods ended June 30, 2018 and 2017, respectively.

(b) Credit risk

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

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.

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, deposits and short-term investments with banks and financial institutions, and other financial instruments. The counterparties are banks with good credit quality, financial institutions with investment grade credit ratings and government agencies, so there is no significant default concerns and credit risk.

- ii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The ageing analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Not past due	\$ 23,915,882	\$ 50,733,691	\$ 23,056,399
0 to 90 days	4,543,663	2,041,938	594,404
91 to 180 days	300,377	53,203	95,027
181 to 270 days	41,393	61,634	139
271 to 360 days	33,605	1,452	-
Over 361 days	15,590	13,570	7,651
	<u>\$ 28,850,510</u>	<u>\$ 52,905,488</u>	<u>\$ 23,753,620</u>

The above ageing analysis was based on past due date.

- v. The Group assesses the expected credit losses of accounts receivable (including those from related parties) as follows:
- (i) Accounts receivables are divided into segments according to the Group's credit rating standards; expected credit losses for each segment are assessed based on the specific loss rate or provision matrix for the segment.

(ii) Loss rates are calculated based on past and current information, taking into account forward-looking information provided by the Business Indicators Database of the National Development Council and the Basel Committee on Banking Supervision.

(iii) As of June 30, 2018, the loss allowance for accounts receivables (including those from related parties), assessed using loss rate or provision matrix, is as follows:

	Group 1	Group 2	Group 3	Group 4	Total
June 30, 2018					
Expected loss rate	0.03%	0.03%	0.07%	0.01%~0.39%	
Total book value	\$ 25,970,515	\$ 367,428	\$ 2,025,083	\$ 487,484	\$ 28,850,510
Allowance for uncollectible accounts	\$ 7,823	\$ 110	\$ 1,418	\$ 769	\$ 10,120

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.

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

	For the six-month periods ended June 30, 2018
At January 1_IAS 39	\$ -
Adjustments under new standards	16,843
At January 1_IFRS 9	16,843
Gain on reversal of expected credit impairment loss	(6,875)
Effect of foreign exchange	152
At June 30	\$ 10,120

vii. Credit risk information of 2017 is provided in Note 12(4).

(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 1 year	Between 1 to 2 years	Total
<u>June 30, 2018</u>			
Short-term loans	\$ 28,051,146	\$ -	\$ 28,051,146
Accounts payable	20,494,943	-	20,494,943
Other payables	19,104,552	-	19,104,552
	<u>\$ 67,650,641</u>	<u>\$ -</u>	<u>\$ 67,650,641</u>
	Less than 3 months	Between 3 to 6 months	Total
<u>December 31, 2017</u>			
Short-term loans	\$ 23,298,389	\$ -	\$ 23,298,389
Accounts payable	41,445,312	852	41,446,164
Other payables	13,807,252	-	13,807,252
	<u>\$ 78,550,953</u>	<u>\$ 852</u>	<u>\$ 78,551,805</u>
	Less than 3 months	Between 3 to 6 months	Total
<u>June 30, 2017</u>			
Short-term loans	\$ 19,288,210	\$ -	\$ 19,288,210
Accounts payable	16,168,954	-	16,168,954
Other payables	15,209,247	-	15,209,247
	<u>\$ 50,666,411</u>	<u>\$ -</u>	<u>\$ 50,666,411</u>
	Less than 1 year	Between 1 to 2 years	Total
<u>December 31, 2017</u>			
Foreign exchange contracts	\$ 39,168	\$ -	\$ 39,168
Cross currency swap contracts	8,249	-	8,249
	<u>\$ 47,417</u>	<u>\$ -</u>	<u>\$ 47,417</u>
	Less than 1 year	Between 1 to 2 years	Total
<u>June 30, 2017</u>			
Foreign exchange contracts	<u>\$ 335,551</u>	<u>\$ -</u>	<u>\$ 335,551</u>

(3) Fair value estimation

- A. 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.

B. Fair value information of investment property at cost is provided in Note 6(11).

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 is as follows:

(a) The related information of nature of the assets and liabilities is as follows:

<u>June 30, 2018</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	\$ -	\$ 188,138	\$ -	\$ 188,138
Foreign exchange contracts	-	533,091	-	533,091
	<u>\$ -</u>	<u>\$ 721,229</u>	<u>\$ -</u>	<u>\$ 721,229</u>
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 3,645,011	\$ 44,682,651	\$ -	\$ 48,327,662
Foreign investment fund	-	306,476	-	306,476
	<u>\$ 3,645,011</u>	<u>\$ 44,989,127</u>	<u>\$ -</u>	<u>\$ 48,634,138</u>

<u>December 31, 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				
Cross currency swap contracts	\$ -	\$ 1,446	\$ -	\$ 1,446
Available-for-sale financial assets				
Equity securities	\$ 4,415,855	\$ 57,140,494	\$ -	\$ 61,556,349
Foreign investment fund	-	304,898	-	304,898
	<u>\$ 4,415,855</u>	<u>\$ 57,445,392</u>	<u>\$ -</u>	<u>\$ 61,861,247</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value				
through profit or loss				
Foreign exchange contracts				
Cross currency swap contracts	\$ -	\$ 39,168	\$ -	\$ 39,168
Forward exchange contacts	-	8,249	-	8,249
	<u>\$ -</u>	<u>\$ 47,417</u>	<u>\$ -</u>	<u>\$ 47,417</u>
<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 contacts	\$ -	\$ 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 liabilities at fair value				
through profit or loss				
Foreign exchange contracts	\$ -	\$ 335,551	\$ -	\$ 335,551

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. 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

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

- iii. 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.
 - iv. 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.
 - v. 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.
 - vi. 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.
- D. For the six-month periods ended June 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.
- E. For the six -month periods ended June 30, 2018 and 2017, there was no transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted in the second quarter of 2017 and for the year ended December 31, 2017:

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

- i. Financial assets held for trading financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:
 - (i) Hybrid (combined) contracts; or
 - (ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - (iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- ii. 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.
- iii. 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.

(b) Available-for-sale financial assets

- i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- iii. 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'.

(c) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially 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.

ii. Investments in debt instruments without active markets

- (i) Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:
 - a. Not designated on initial recognition as at fair value through profit or loss;
 - b. Not designated on initial recognition as available-for-sale;
 - c. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.
- (ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using trade date accounting.
- (iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(d) Impairment of financial assets

- i. 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.

- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) 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;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) 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;
 - (vii) 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;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. 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:
 - (i) 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.
 - (ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If,

in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

<u>IFRS9</u>	<u>IAS39</u>		<u>Debt instrument</u>		<u>Total</u>
	<u>Available-for-sale-equity</u>	<u>Other current assets</u>	<u>without active market</u>		
Transferred into and measured at fair value through other comprehensive income-equity	\$ 61,861,247	\$ -	\$ -		\$ 61,861,247
Transferred into and measured at amortised cost	-	20,541,568	4,571,100		25,112,668

- (a) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets amounting to \$61,861,247, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$61,861,247 on initial application of IFRS 9.
- (b) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market, amounting to \$4,571,000, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" amounting to \$4,571,100 on initial application of IFRS 9.
- (c) Under IAS 39, capital guarantee financial products and time deposits mature in excess of three months were classified as "other current assets" amounting to \$13,775,019 and \$6,766,549, respectively, they were reclassified as "financial assets at amortised cost" amounting to \$20,541,568 in accordance with IFRS 9.
- (d) Information relating to credit risk of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, is provided in Note 12(2) C (b).
- C. The significant accounts as of December 31, 2017 and June 30, 2017 and in the second quarter of 2017 are as follows:

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

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Assets</u>		
Current items:		
Cross currency swap contracts	\$ 1,446	\$ -
Forward exchange contracts	-	8,970
	<u>\$ 1,446</u>	<u>\$ 8,970</u>
	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Liabilities</u>		
Current items:		
Foreign exchange contracts	\$ 39,168	\$ 335,551
Cross currency swap contracts	8,249	-
	<u>\$ 47,417</u>	<u>\$ 335,551</u>

- i. Due to the financial assets and liabilities recognized above for the three-month and six-month periods ended June 30, 2017, the Group recognized net profit of \$111,045 and loss of \$550,333, respectively (including unrealised loss on valuation of \$152,938 and \$808,221, respectively.)
- ii. 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.
- iii. The non-hedging derivative instruments transaction and contract information are as follows:

	<u>December 31, 2017</u>	
	<u>Contract amount</u>	<u>Contract period</u>
<u>Derivative Financial Assets</u>	<u>(Nominal Principal in thousands)</u>	
Current items:		
Cross currency swap contracts	TWD (sell) 1,204,000	2017/09~2018/03
	USD (buy) 40,000	
Foreign exchange contracts	TWD (sell) 6,432,294	2017/09~2018/04
	USD (buy) 216,126	
	TWD (sell) 8,438,526	2017/09~2018/03
	USD (buy) 282,000	

	June 30, 2017		
	Contract amount		
<u>Derivative Financial Assets</u>	<u>(Nominal Principal in thousands)</u>		<u>Contract period</u>
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	

(i) 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.

(ii) Forward exchange contracts

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

Business activity: The payables due from exporting materials and supplies as well as receivables from exports.

Investment activity: The payment due from importing machinery and equipment.

Financial activity: Assets and liabilities (financing) resulted from long-term or short-term borrowings

(iii) 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.

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

(b) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Non-current items:		
Listed and emerging stocks	\$ 19,994,156	\$ 20,378,856
Foreign investment fund	297,600	304,200
Adjustment of available-for-sale financial assets	41,569,491	39,094,843
	<u>\$ 61,861,247</u>	<u>\$ 59,777,899</u>

- i. 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 (USD \$762 thousand).

- ii. 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.
- iii. The Group recognized net loss or gain in other comprehensive income for fair value change for the three-month periods ended June 30, 2017 and 2016, and six-month period ended June 30, 2017. Please refer to Note 6(19) for details.
- iv. The Group has no available-for-sale financial assets pledged to others.

(c) Investments in debt instruments without active markets

Items	December 31, 2017	June 30, 2017
Non-current items:		
Financial debentures-trust fund	\$ 4,571,100	\$ -
i. In March 2018 and December 2017, the Group invested in the trust fund named Guangdong Finance Trust – Peng Yun Tian Hua Collection Fund Trust for RMB 500 million and RMB 1 billion, respectively. The fund was mainly created for the investment in Guangzhou Guangyin Nanyue Intelligent Technology Industrial Investment Partnership. ii. The significant rights and obligations of the aforementioned investment are outlined as follows: (i) The preferred beneficiary has priority over ordinary beneficiary in the distribution of investment returns, including return of principal. (ii) The Group is the ordinary beneficiary, whose claim to trust interests is lower than the preferred beneficiary. iii. Under IAS 39, ‘Financial Instruments: Recognition and Measurement’, they are “investments in debt instruments without active markets-non-current” that do not have a quoted market price in an active market, but have fixed or determinable amount. iv. No financial assets at amortised cost pledged to others as collateral as of June 30, 2018. v. The counterparties of the Group’s investments have good credit quality.		

D. Credit risk information on December 2017 and in the second quarter of 2017 are as follows:

- (a) 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.

- (b) As of December 31, 2017 and June 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) 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:

	December 31, 2017	June 30, 2017
Group 1	\$ 48,900,569	\$ 21,475,231
Group 2	437,838	188,700
Group 3	1,024,465	1,101,559
Group 4	370,819	290,909
	<u>\$ 50,733,691</u>	<u>\$ 23,056,399</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.

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

	December 31, 2017	June 30, 2017
Up to 30 days	\$ 1,214,708	\$ 177,805
31 to 90 days	827,230	416,599
91 to 180 days	53,203	95,027
181 to 360 days	63,086	139
Over 360 days	13,570	7,651
	<u>\$ 2,171,797</u>	<u>\$ 697,221</u>

(5) Effects on initial application of IFRS 15

- A. The significant accounting policies applied on revenue recognition in the second quarter of 2017 are set out below.

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.

- B. The revenue recognised by using above accounting policies in the first quarter of 2017 are as follows:

For the six-month period ended June 30, 2017

3C products (Contain components and related electronic products)	\$	40,643,560
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- C. The effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies in the second quarter of 2018 are as follows:

June 30, 2018			
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable, net	\$ 15,432,762	\$ 15,367,563	\$ 65,199
Other current liabilities	(360,007)	(294,808)	(65,199)

Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as other current liabilities), but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet.

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), 12(3) and 12(4).

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:

	For the three-month period ended June 30, 2018		
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 21,750,334	\$ 10,918,229	\$ 32,668,563
Revenue from internal customers	64,158	1,796,412	1,860,570
Segment revenue	\$ 21,814,492	\$ 12,714,641	\$ 34,529,133
Measurement of segment profit or loss	\$ 835,475	\$ 540,718	\$ 1,376,193
Depreciation and amortization	\$ 3,628	\$ 524,088	\$ 527,716
Interest income	\$ 94,528	\$ 600,464	\$ 694,992
Interest expense	\$ 152,085	\$ 10,392	\$ 162,477
Total segment assets (Note)	\$ -	\$ -	\$ -

For the three-month period ended June 30, 2017			
	Electronic products trading services	Production and sales of mechanical components	Total
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>
For the six-month period ended June 30, 2018			
	Electronic products trading services	Production and sales of mechanical components	Total
External revenue	\$ 42,585,993	\$ 24,145,379	\$ 66,731,372
Revenue from internal customers	<u>123,476</u>	<u>2,951,612</u>	<u>3,075,088</u>
Segment revenue	<u>\$ 42,709,469</u>	<u>\$ 27,096,991</u>	<u>\$ 69,806,460</u>
Measurement of segment profit or loss	<u>\$ 1,487,813</u>	<u>\$ 1,032,399</u>	<u>\$ 2,520,212</u>
Depreciation and amortization	<u>\$ 7,089</u>	<u>\$ 1,005,739</u>	<u>\$ 1,012,828</u>
Interest income	<u>\$ 200,680</u>	<u>\$ 894,487</u>	<u>\$ 1,095,167</u>
Interest expense	<u>\$ 259,008</u>	<u>\$ 20,679</u>	<u>\$ 279,687</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	155,126	2,261,527	2,416,653
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>

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, 2018 and 2017 is provided as follows:

	For the three-month periods ended June 30	
Operating revenue	2018	2017
Reportable segments income	\$ 34,529,133	\$ 24,012,122
Other segments income	35,708	79,614
Elimination of inter-segment revenue	(1,860,570)	(1,993,062)
Total corporate revenue	<u>\$ 32,704,271</u>	<u>\$ 22,098,674</u>
	For the six-month periods ended June 30	
Operating revenue	2018	2017
Reportable segments income	\$ 69,806,460	\$ 42,979,084
Other segments income	68,058	81,129
Elimination of inter-segment revenue	(3,075,088)	(2,416,653)
Total corporate revenue	<u>\$ 66,799,430</u>	<u>\$ 40,643,560</u>

Profit and loss	For the three-month periods ended June 30	
	2018	2017
Profit of reported segment	\$ 1,376,193	\$ 742,707
Profit of other operating segments	290,800	922,058
Profit before income tax	<u>\$ 1,666,993</u>	<u>\$ 1,664,765</u>
Profit and loss	For the six-month periods ended June 30	
	2018	2017
Profit of reported segment	\$ 2,520,212	\$ 1,905,330
Profit (loss) of other operating segments	170,668	773,418
Profit before income tax	<u>\$ 2,690,880</u>	<u>\$ 2,678,748</u>

Foxconn Technology Co., Ltd. and Subsidiaries

Loans to others

For the six-month period ended June 30, 2018

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, 2018	Balance at June 30, 2018	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	Y	\$ 692,714	\$ 686,172	\$ 686,172	4.35000%	Short-term financing	\$ -	Business operation	\$ -	None	\$ -	\$ 3,788,091	\$ 15,152,364	Note 1
2	Fu Rui Precision Components (Kunshan) Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	Other receivables	Y	462,970	-	-	0.00000%	Short-term financing	-	Business operation	-	None	-	35,935,851	71,871,701	Note 2
3	Q-Run Holdings Ltd.	YanTai Fuzhun Precision Electronics Co., Ltd.	Other receivables	Y	611,620	611,620	611,620	1.75688%	Short-term financing	-	Business operation	-	None	-	35,935,851	71,871,701	Note 2

Note 1: 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.

Note 2: 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, 2018

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	Financial assets at fair value through other comprehensive income -non-current	10,035,348	\$ 181,138	3.05	\$ 181,138	
"	Common stock of Pan-International Industrial Corp.	"	"	1,079,986	23,220	0.21	23,220	
"	Common stock of Innolux Corporation	"	"	127,556,349	1,396,742	1.28	1,396,742	
"	Common stock of Advanced Optoelectronic Technology, Inc.	"	"	1,000	27	-	27	
Huazhun Investment Co., Ltd.	Common stock of Innolux Corporation	"	"	121,036,800	1,325,353	1.22	1,325,353	
"	Common stock of Advanced Optoelectronic Technology, Inc.	"	"	7,672,000	207,144	5.13	207,144	
Q-Run Holdings Ltd.	Conquer Hill Advantage Fund	"	"	89,927	306,475	-	306,475	
"	Common stock of China Harmony Auto Holding Ltd.	"	"	38,452,340	511,388	2.50	511,388	
Foxconn Technology Pte. Ltd.	Common stock of Sharp corporation	"	"	64,640,000	44,682,651	12.97	44,682,651	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18061SA) financial products	"	Financial assets at amortised cost -current	-	2,305,496	-	2,305,496	
"	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18061SB) financial products	"	"	-	2,305,496	-	2,305,496	
"	Yun Tong Fortune Increasing Profits 49 Days Financial Products	"	"	-	2,302,207	-	2,302,207	
"	Yun Tong Fortune Increasing Profits 46 Days Financial Products	"	"	-	2,302,207	-	2,302,207	
"	Yun Tong Fortune Increasing Profits 54 Days Financial Products	"	"	-	2,302,207	-	2,302,207	
"	Industrial Bank "Golden Snowball-selected" 2018 8th Guaranteed	"	"	-	2,300,834	-	2,300,834	
"	Industrial Bank "Golden Snowball-selected" 2018 8th Guaranteed	"	"	-	2,300,834	-	2,300,834	
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	"	"	-	294,650	-	294,650	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Yun Tong Fortune Increasing Profits 33 Days Financial Products	"	"	-	460,581	-	460,581	
"	Yun Tong Fortune Increasing Profits 32 Days Financial Products	"	"	-	230,033	-	230,033	
Fu Yu Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 90 Days Financial Products	"	"	-	1,382,723	-	1,382,723	
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 90 Days Financial Products	"	"	-	1,622,052	-	1,622,052	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18054S) financial products	"	"	-	2,274,313	-	2,274,313	

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	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund	"	Financial assets at amortised cost -non-current	-	\$ 3,909,575	-	\$ 3,909,575	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund	"	"	-	1,609,825	-	1,609,825	

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, 2018

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, 2018		Addition		Disposal				Balance as at June 30, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Q-RUN HOLDING LTD.	Q-RUN FAR EAST CORP.	Note 1	Q-RUN HOLDING LTD.	Subsidiary	1,013,973	USD 1,013,973 thousand	38,100	USD 38,100 thousand	-	-	-	-	1,052,073	USD1,052,073 thousand
Q-RUN HOLDING LTD.	WORLD TRADE TRADING LTD.	Note 1	WORLD TRADE TRADING LTD.	"	-	-	38,100	USD 38,100 thousand	-	-	-	-	38,100	USD 38,100 thousand
Q-RUN HOLDING LTD.	FE HOLDINGS USA, INC	Note 1	FE HOLDINGS USA, INC	None	-	-	16,700	USD 16,700 thousand	-	-	-	-	16,700	USD 16,700 thousand
Q-RUN HOLDING LTD.	IDG Energy Investment Limited	Note 1	IDG Energy Investment Limited	"	-	-	297,000	HKD 297,000 thousand	-	-	-	-	297,000	HKD 297,000 thousand
Q-RUN HOLDING LTD.	IDG Energy Investment Limited	Note 1	"	"	-	-	297,000	HKD 297,000 thousand	-	-	-	-	297,000	HKD 297,000 thousand
FOXCONN TECHNOLOGY PTE. LTD.	IDG Energy Investment Limited	Note 1	"	"	-	-	297,000	HKD 297,000 thousand	-	-	-	-	297,000	HKD 297,000 thousand
HIGH TEMPO INTERNATIONAL LTD.	IDG Energy Investment Limited	Note 1	"	"	-	-	297,000	HKD 297,000 thousand	-	-	-	-	297,000	HKD 297,000 thousand
WORLD TRADE TRADING LTD.	IDG Energy Investment Limited	Note 1	"	"	-	-	297,000	HKD 297,000 thousand	-	-	-	-	297,000	HKD 297,000 thousand
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18028S) financial products	Note 2	-	-	-	-	-	RMB 490,000 thousand	-	-	-	-	-	RMB 490,000 thousand
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust	Note 3	-	-	-	RMB 500,000 thousand	-	-	-	RMB 150,000 thousand	RMB 150,000 thousand	-	-	RMB 350,000 thousand
Fuhuigang Industrial (Shenzhen) Co., Ltd.	RMB Continuous Serial Deposits Financial Products	Note 2	-	-	-	-	-	RMB 64,000 thousand	-	-	-	-	-	RMB 64,000 thousand
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Yun Tong Fortune Increasing Profits 33 Days Financial Products	Note 2	-	-	-	-	-	RMB 100,000 thousand	-	-	-	-	-	RMB 100,000 thousand
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Yun Tong Fortune Increasing Profits 32 Days Financial Products	Note 2	-	-	-	-	-	RMB 50,000 thousand	-	-	-	-	-	RMB 50,000 thousand
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 90 Days Financial Products	Note 2	-	-	-	-	-	RMB 250,000 thousand	-	-	-	-	-	RMB 250,000 thousand
Fu Rui Precision Components (Kunshan) Co., Ltd	Yun Tong Fortune Increasing Profits 90 Days Financial Products	Note 2	-	-	-	-	-	RMB 100,000 thousand	-	-	-	-	-	RMB 100,000 thousand

		Balance as at												
		General ledger account	Counterparty	Relationship with the investor	January 1, 2018		Addition		Disposal				Balance as at June 30, 2018	
Investor	Marketable securities				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	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18061SA)	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Bank of Shanghai for "Winer" currency and bonds series (bit by bit make a mickle)(WG18061SB) financial products	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Yun Tong Fortune Increasing Profits 49 Days Financial Products	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Yun Tong Fortune Increasing Profits 46 Days Financial Products	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Yun Tong Fortune Increasing Profits 54 Days Financial Products	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Industrial Bank "Golden Snowball-selected" 2018 9th Guaranteed return Closed-end	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Industrial Bank "Golden Snowball-selected" 2018 9th Guaranteed return Closed-end	Note 2	-	-	-	-	-	RMB 500,000 thousand	-	-	-	-	-	RMB 500,000 thousand
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Guangdong Finance Trust - Peng Yun Tian Hua Collection Fund Trust	Note 3	-	-	-	RMB 500,000 thousand	-	RMB 500,000 thousand	-	RMB 150,000 thousand	RMB 150,000 thousand	-	-	RMB 850,000 thousand

Note 1 : Recorded in "investments accounted for using equity method".

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, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			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 Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 1,092,755	3	90 days	Note 1	Note 1	\$ 807,424	6	
Foxconn Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	Associate which accounted the Company by using equity method	Sales	182,284	-	90 days	Note 1	Note 1	82,267	1	
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	13,901,385	79	90 days	Note 1	Note 1	7,107,284	89	Note 2
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	3,242,232	18	90 days	Note 1	Note 1	608,944	8	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Fuzhun Precision (Hebi) Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	183,594	1	90 days	Note 1	Note 1	94,950	1	
Fu Yu Precision Components (Kunshan) 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	276,666	13	90 days	Note 1	Note 1	304,015	22	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	The investee is an indirect subsidiary of the Company	Sales	1,771,121	86	60 days	Note 1	Note 1	1,072,649	76	
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	122,828	48	90 days	Note 1	Note 1	126,273	45	
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	3,059,202	92	90 days	Note 1	Note 1	2,559,648	92	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Co., Ltd.	The Company's ultimate parent company	Sales	178,400	5	90 days	Note 1	Note 1	148,263	5	
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	3,929,286	50	90 days	Note 1	Note 1	1,865,094	36	
Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd	The investee is an indirect subsidiary of the Company	Sales	793,218	10	90 days	Note 1	Note 1	995,600	19	
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	377,345	46	90 days	Note 1	Note 1	433,090	60	

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
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	Sales	\$ 249,320	30	90 days	Note 1	Note 1	\$ 130,857	18	
YanTai Fuzhun Precision Electronics Co., Ltd.	Foxconn Technology Co., Ltd.	The Company's ultimate parent company	Sales	177,386	21	90 days	Note 1	Note 1	107,492	15	
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	Purchases	37,312,678	92	90 days	Note 1	Note 1	(10,110,217) (	81)	
Foxconn Technology Co., Ltd.	Nanning Funing Precision Electronics Co., Ltd.	The investee is an indirect subsidiary of the Company	Purchases	821,622	2	30 days	Note 1	Note 1	-	-	
Foxconn Technology Co., Ltd.	INNOLUX CORPORATION	Other related parties	Purchases	1,253,359	3	60 days	Note 1	Note 1	(318,362) (	3)	
Foxconn Technology Co., Ltd.	SHARP CORPORATION	Other related parties	Purchases	462,320	1	60 days	Note 1	Note 1	(193,533) (	2)	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	4,136,428	26	90 days	Note 1	Note 1	(2,104,974) (	40)	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd	Hon Hai Precision Industry Co., Ltd.	The counterparty of the investee is an investment company which accounts the Company using equity method	Purchases	606,920	4	90 days	Note 1	Note 1	(633,264) (	12)	
Fu Yu Precision Components(Kunshan) Co., Ltd.	Pan-International Industrial Corp. and subsidiaries	The company and its subsidiaries accounted for using equity method	Purchases	125,778	7	90 days	Note 1	Note 1	(70,730) (	6)	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	649,174	24	90 days	Note 1	Note 1	(295,709) (	15)	
Foxconn Technology Pte. Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The counterparties of the investee are indirect subsidiaries of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Purchases	898,412	12	90 days	Note 1	Note 1	(583,174) (	17)	
Foxconn Technology Pte. Ltd.	Hon Hai Precision Industry Co., Ltd.	The counterparty of the investee is an investment company which accounts the Company using equity method	Purchases	119,361	2	90 days	Note 1	Note 1	(87,882) (	3)	
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	Purchases	245,220	34	90 days	Note 1	Note 1	(124,872) (	33)	

Note 1:Except for circumstances in which there are no similar transactions for reference and the prices and credit periods are negotiated by both parties, the aforementioned related party is offered prices very close to those offered to other customers and given a payment period of 30 to 90 days.

Note 2:For transactions involving the sale of raw materials to the aforementioned related party and subsequent repurchase of goods made from the same raw materials from the same party, the initial sale of raw materials is eliminated due to economic substance.

Foxconn Technology Co., Ltd. and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
June 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018	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.	\$ 807,424	2.78	\$ 229,054	Subsequent collection	\$ 210,053	\$ -
Foxconn Technology Co., Ltd.	Foxconn (Far East) Ltd. and subsidiaries	The indirect subsidiaries of Hon Hai Precision Industry Co., Ltd.	1,299,918	Not applicable	-	-	-	-
(shown as other receivables)(Note 1)								
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	7,107,284	1.70	2,686,197	Subsequent collection	1,432,261	-
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	FOXCONN TECHNOLOGY PTE. LTD.	The investee is an indirect subsidiary of the Company	608,944	3.12	-	-	555,582	-
Fu Yu Precision Components (Kunshan) 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	304,015	1.40	140,590	Subsequent collection	87,955	-
Fu Yu Precision Components (Kunshan) Co., Ltd.	FOXCONN TECHNOLOGY PTE. LTD.	The investee is an indirect subsidiary of the Company	1,072,649	3.57	45,280	Subsequent collection	-	-
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	126,273	1.83	96,602	Subsequent collection	-	-
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	2,559,648	2.31	1,450,789	Subsequent collection	198,537	-
Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Pte Ltd.	The Company's ultimate parent company	148,263	3.57	14,283	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	1,865,094	2.28	99,649	Subsequent collection	836,450	-
FOXCONN TECHNOLOGY PTE. LTD.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	The investee is an indirect subsidiary of the Company	995,600	1.46	356,849	Subsequent collection	-	-
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	433,090	1.59	159,209	Subsequent collection	91,630	-
YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	The investee is an indirect subsidiary of the Company	130,857	3.53	-	-	344	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018	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 Technology Pte Ltd.	The Company's ultimate parent company	\$ 107,492	3.28	\$ 63,094	Subsequent collection	\$ 48,241	\$ -
HIGH TEMPO INTERNATIONAL LTD.	Foxconn Technology Pte Ltd.	The Company's ultimate parent company	622,025	Not applicable	-	-	-	-

(shown as other receivables)(Note 2)

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

Note 2: Receivables from purchases of materials by investees on behalf of the final 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, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount		
0	Foxconn Technology Co., Ltd.	Nanning Funing Precision Electronics Co., Ltd.	1	Purchases	\$ 821,622	Note 4	1
1	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	3,242,232	"	5
1	"	"	3	Accounts receivable	608,944	"	0
1	"	Fuzhun Precision (Hebi) Electronics Co., Ltd.	3	Sales	183,594	"	0
2	Fu Yu Precision Components (Kunshan) Co., Ltd.	Foxconn Technology Pte. Ltd.	3	Sales	1,771,121	"	3
2	"	"	3	Accounts receivable	1,072,649	"	1
3	Fuzhun Precision (Hebi) Electronics Co., Ltd.	Foxconn Technology Co., Ltd.	2	Sales	178,400	"	0
3	"	"	2	Accounts receivable	148,263	"	0
4	Foxconn Technology Pte. Ltd.	Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	3	Sales	793,218	"	1
4	"	"	3	Accounts receivable	995,600	"	1
5	YanTai Fuzhun Precision Electronics Co., Ltd.	Fu Yu Precision Components (Kunshan) Co., Ltd.	3	Sales	249,320	"	0
5	"	"	3	Accounts receivable	130,857	"	0
5	"	Foxconn Technology Co., Ltd.	2	Sales	177,386	"	0
5	"	"	2	Accounts receivable	107,492	"	0
6	High Tempo International Ltd.	Foxconn Technology Co., Ltd.	2	Other receivable	622,025	"	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: Except for circumstances in which there are no similar transactions for reference and the prices and credit periods are negotiated by both parties, the aforementioned related party is offered prices very close to those offered to other customers and given a payment period of 30 to 90 days.

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, 2018

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, 2018			Net profit (loss) of the investee for the six-month ended June 30, 2018	Investment income (loss) recognised by the Company for the six-month ended June 30, 2018	Note
				Balance as at June 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Foxconn Technology Co., Ltd.	Q-Run Holdings Ltd.	Cayman Islands	Investment holding	\$ 9,851,192	\$ 9,851,192	480,077,600	100	\$ 113,851,068	\$ 1,432,309	\$ 1,432,309	
Foxconn Technology Co., Ltd.	Foxconn Precision Components Holding Co., Ltd.	Cayman Islands	Investment holding	492,742	492,742	135,839,643	100	15,630,366	214,915	214,915	
Foxconn Technology Co., Ltd.	Huazhun Investment Co., Ltd.	Taiwan	Investment	1,254,780	1,254,780	125,478,000	100	1,579,665	83	83	
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	49,032,250	20	291,590 (	58,585) (	11,693)	

Note1: 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., Nanning Funing Precision Electronics Co., Ltd. and Fuzhun Precision (Shenyang) Industry 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, 2018

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, 2018	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee for the six-month period ended June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fuhuigang Industrial (Shenzhen) Co., Ltd.	Computer case – electronic and electrical components	\$ 236,278	2	\$ 236,278	\$ -	\$ -	\$ 236,278	\$ 3,536	100	\$ 3,536	\$ 442,595	\$ -	
Fu Yu Precision Components (Kunshan) Co., Ltd.	Manufacturing and marketing of power plug and wall socket, micro ribbon connectors for terminals, etc.	1,193,240	2	599,636	-	-	599,636	(11,616)	100	(11,616)	4,160,838	-	
Fuzhun Precision (Shenzhen) Industry Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	593,970	2	60,920	-	-	60,920	109,349	100	109,349	4,890,506	-	
Fu Rui Precision Components (Kunshan) Co., Ltd.	Electrical board components processing; manufacturing and marketing of optoelectronics and computer cables	373,384	2	240,147	-	-	240,147	24,662	100	24,662	1,786,328	-	
Hon Fujin Precision Industry (Taiyuan) Co., Ltd.	Manufacturing and marketing of computer components and related peripherals, computer cases and metal stamping	12,488,600	2	4,249,170	-	-	4,249,170	642,388	100	642,388	37,880,910	-	
Nanning Funing Precision Electronics Co., Ltd.	Manufacturing and marketing of computer components (computer thermal module)	298,508	2	-	-	-	-	88,477	100	88,477	2,446,063	-	
YanTai Fuzhun Precision Electronics Co., Ltd.	Manufacturing and marketing of computer case - electronic and electrical components	1,203,170	2	1,203,170	-	-	1,203,170	84,883	100	84,883	714,573	-	
Fuzhun Precision (Hebi) Electronics Co., Ltd.	New alloy material, precision molds, new electronic components, portable computers and their components	4,498,942	2	1,513,862	-	-	1,513,862	331,867	100	331,867	6,089,909	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	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.	\$ 8,103,183	\$ 21,762,082	\$ -

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., Fuzhun Precision (Shenyang) Industry Co., Ltd. and Fuyu Technology (Nanyang) Co., Ltd., which were reinvested through an existing company in Mainland China.